City and County of San Francisco

Meeting Agenda

Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Acting Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Wednesday, February 19, 2003 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

REGULAR AGENDA

1. 030222 **[Performance measures and timeline for pending work in the Assessor's Office]**
Supervisor Dufty
Hearing to analyze backlog of work of the Assessor's Office; (2) financial impacts of said backlog; and (3) analyze and establish performance timelines and performance measures for that office.

2/11/03, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at the 2/19/03 Finance meeting.

2/13/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

2. 030224 **[Appropriation - Assessor-Recorder's Office]**

Supervisor Dufty

Ordinance appropriating $287,583 in surplus recording fees and re-appropriating $269,128 in equipment, materials and supplies and professional services for a total of $556,711, to cover shortfalls in salaries and services of other departments and for temporary salaries and fringes to address the backlog of deed processing, appraisals, permits, appeals in the Assessor-Recorder's Office for fiscal year 2002-03.

(No Public Benefit Recipient.)

2/11/03, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at the February 19, 2003 meeting.
2/13/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

3. 030131 **[2003 Finance Corporation Equipment Program]**

Mayor

Resolution approving the form of and authorizing execution and delivery by the City and County of San Francisco of an equipment lease Supplement No. 10 (Series 2003A Bonds) between the City and the County of San Francisco Finance Corporation, as lessor, and the City and County of San Francisco, as lessee, with respect to the equipment to be used for city purposes, a related certificate of approval and a continuing disclosure certificate; approving the issuance of lease revenue bonds by said nonprofit corporation in an amount not to exceed $11,750,000; providing for reimbursement to the City and County of San Francisco of certain city expenditures incurred prior to the issuance of lease revenue bonds; and providing for the execution of documents in connection therewith and ratifying previous actions taken in connection therewith. (Mayor)

(Fiscal impact.)

1/27/03, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the February 12, 2003 meeting.
2/12/03, CONTINUED. Speakers: None.
Continued to 2/19/03.
2/13/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

4. 030093 **[Funding for the sale of lease-revenue bonds for citywide equipment]**

Mayor

Ordinance appropriating $5,229,072 from the sale of lease-revenue bonds by the San Francisco Finance Corporation to fund purchase of equipment citywide for fiscal year 2002-03. (Mayor)

(Fiscal impact.)

1/21/03, RECEIVED AND ASSIGNED to Finance Committee.
2/12/03, CONTINUED. Speakers: None.
Continued to 2/19/03.
2/13/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

5. **022052** **[Reserved Funds, Asian Art Museum]**

Hearing to consider release of reserved funds, Asian Art Museum (1989 Earthquake Bond, Ordinance No. 333-90), in the amount of $316,588 to fund construction contracts for seismic upgrading, repairs and asbestos abatement of the Old Main Library building at 200 Larkin Street. (Asian Arts Commission)

12/16/02, RECEIVED AND ASSIGNED to Finance Committee.
2/5/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

6. **030159** **[Appropriate bond interest earnings for construction of the Asian Art Museum]**

Ordinance appropriating $2,251,170 in interest income from the 1994 Asian Art Museum Relocation Project Bond - Series 1996E and $1,491,120 in interest income from the 1994 Asian Art Museum Relocation Project Bond - Series 1999D for a total of $3,742,290 for construction costs to seismically upgrade and make various improvements and build outs to the Old Main Library building for the Asian Art Museum for fiscal year 2002-03. (Controller)

(No Public Benefit Recipient.)

1/28/03, RECEIVED AND ASSIGNED to Finance Committee.
2/5/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

7. **030147** **[Public Auction of Tax-defaulted Property]**

Resolution authorizing Tax Collector to sell at public auction certain parcels of tax-defaulted real property. (Treasurer-Tax Collector)

(No Public Benefit Recipient.)

1/22/03, RECEIVED AND ASSIGNED to Finance Committee.
2/5/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

8. **030167** **[Patient Rates]**

Ordinance amending Section 128 of the San Francisco Health Code to revise selective patient rates for Mental Health services furnished by the Department of Public Health, retroactive to July 1, 2002, and to revise the passport application fee effective upon approval of this ordinance. (Public Health Department)

(No Public Benefit Recipient.)

1/22/03, RECEIVED AND ASSIGNED to Finance Committee.
2/5/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Finance and Audits Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30-day rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

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AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701

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· For American Sign Language interpreters or use of a reader during a meeting, contact Ohn Myint at (415) 554-7704.

· For a large print copy of agenda or minutes in alternative formats, contact Annette Lonich at (415) 554-7706.

· Assistive listening devices are available from the receptionist in the Clerk of the Board's Office, Room 244, prior to the meeting.

· The Clerk of the Board's Office TTY number is (415) 554-5227.

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Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

FINANCE AND AUDITS COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

February 13, 2003

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: February 19, 2003 Finance and Audits Committee Meeting

Item 2 - File 03-0224

Department: Assessor-Recorder

Item: Ordinance reappropriating $269,128 in funds previously appropriated by the Board of Supervisors for equipment, materials and supplies and professional services expenditures and appropriating $287,583 in surplus Recording Fees, resulting in a total supplemental appropriation of $556,711, to fund projected deficits in salaries and other expenditures and to fund additional temporary salaries and fringe benefits in order to address backlogs in the Assessor-Recorders Office related to deed processing, change of ownership appraisals, new construction permits and assessment appeals.

Amount: $556,711

Source of Funds: Reappropriation of existing funds in the amount of $269,128 previously appropriated by the Board of Supervisors in the Assessor's FY 2002-2003 budget and surplus Recording Fee Revenues of $287,583.

Budget:

Sources of Funds

Reappropriation of Existing Expenditures	
Equipment Purchase	$ 142,350
Professional Services	17,136
Materials and supplies	109,642
Subtotal	$ 269,128
Surplus Recording Fee Revenue	
Recording Fees	287,583
Total	$ 556,711

Uses of funds

Permanent Salaries - Miscellaneous	$ 199,550
Temporary Salaries	58,824
Mandatory Fringe Benefits	25,837
Professional and Specialized Services	124,500
Workers Compensation	73,000
Purchasing - Mail Services	75,000
Total	$ 556,711

Description:

The requested funds of $556,711 would be expended for the following purposes:

- $146,045 to cover a projected FY 2002-2003 deficit for Salaries;
- $73,000 to cover a projected deficit in Workers Compensation;
- $75,000 to cover overspending of Mail Services;
- $124,500 for computer system maintenance services and license fees for the Assessor's Property System and server network;
- $53,505 to fill two vacant permanent positions as of March 15, 2003 for the balance of FY 2002-2003, including one 1823 Senior Administrative Analyst and one 1824 Principal Administrative Analyst, that were added as new positions to the Assessor's FY 2002-2003 budget but have not been filled;

- $58,824 in Temporary Salaries for four Appraiser Trainee positions for the balance of FY 2002-2003; and,

- $25,837 for related Mandatory Fringe Benefits.

In summary, this requested supplemental appropriation of $556,711 would (a) resolve a total projected deficit in the Assessor's FY 2002-2003 budget of $418,545 and would (b) provide a total of $138,166 including $53,505 to fill two existing vacant positions and provide $58,824 in temporary salaries plus $25,837 in related Mandatory Fringe Benefits to address the Assessor's backlog in deed processing, change of ownership appraisals, new construction permits and assessment appeals. The primary purpose of the $138,166 for permanent salaries, temporary salaries and mandatory fringe benefits is to accelerate the processing of deed transfers and new construction permits that, when completed, would result in new assessments and accelerated Property Tax collections. Additionally, the two permanent positions and the temporary salaries for four Appraiser Trainee positions would, according to Rich Hillis of the Assessor's Office, improve the Assessor's ability to complete pending appeals before the Assessment Appeals Board on a more timely basis.

In this connection, in his FY 2002-2003 Six Month Budget Status Report, issued February 11, 2003, the Controller stated:

> Some additional opportunity for revenue enhancement exists by tackling the assessment backlog. The Assessor reports that the department currently has a significant processing backlog, mostly related to deed processing and new construction. Backlogs have significant potential revenue implications as the 13,000 deeds in queue have been estimated by the Assessor to have up to $2.5 billion in incremental roll value. Additionally, 7,500 construction permits may also yield up to $1.9 billion in incremental roll value.

partially from one-time expenditures. Funds reappropriated from equipment purchases and materials and supplies will delay the Assessor's computer replacement program, which was justified as an urgent need in the Assessor's current FY 2002-2003 budget. However, the Budget Analyst recommends approval of the proposed supplemental appropriation based on the anticipated acceleration of increased Property Tax collections in FY 2002-2003 and FY 2003-2004, which will somewhat alleviate the City's General Fund shortfall.

Recommendation:

1. Amend the proposed ordinance as follows:

   Page 3, line 13: Reduce Recorder Fee Revenue by $7,004 from $36,262 to $29,258.

   Page 3, line 16: Reduce Permanent Salaries by $6,117 from $52,492 to $46,375.

   Page 5, line 13: Reduce Mandatory Fringe Benefits by $887 from $13,530 to $12,643.

2. Approve the proposed ordinance as amended.

Item 3 – File 03-0131

Note: This item was continued by the Finance Committee at its meeting of February 12, 2003.

Department: Mayor's Office of Public Finance

Item: Resolution approving the form of and authorizing execution and delivery by the City and County of San Francisco of an equipment lease Supplement No. 10 (Series 2003A Bonds) between the City and County of San Francisco Finance Corporation, as lessor, and the City and County of San Francisco, as lessee, with respect to the equipment to be used for City purposes, a related certificate of approval and a continuing disclosure certificate; approving the issuance of lease revenue bonds by said nonprofit corporation in an amount not to exceed \$11,750,000; providing for reimbursement to the City and County of San Francisco of certain City expenditures incurred prior to the issuance of lease revenue bonds; and providing for the execution of documents in connection therewith and ratifying previous actions taken in connection therewith.

Amount: Not to exceed \$11,750,000

Source of Funds: Lease Revenue Bond Proceeds

Budget:

Equipment Costs		\$9,715,060
Required Reserve Fund	\$1,129,500	
Bond Issuance Costs	193,843	
Capitalized Interest[1]	256,597	
Subtotal		\$1,579,940
Total Amount to be Financed		\$11,295,000
Reserve for Market Conditions		455,000
TOTAL		\$11,750,000

[1] Pursuant to State law, the City cannot make any interest payments on lease revenue bonds until the City has received the equipment. However, interest on the lease revenue bonds begins accruing when the bonds are sold regardless of when the equipment is eventually purchased and received by the City. Therefore, capitalized interest, estimated in the amount of \$256,597, must be paid from proceeds of the Series 2003A Revenue Lease Bonds until such a time as the equipment is actually received by the City and interest payments can be made from funds appropriated in the City budget.

The proposed resolution would authorize the issuance of Series 2003A Lease Revenue Bonds in FY 2002-2003 in an amount not to exceed $11,750,000. According to Ms. Nadia Sesay of the Mayor's Office of Public Finance, while the City and County of San Francisco Finance Corporation expects to issue only $11,295,000 of the subject bond funds, the subject resolution includes an additional $455,000 to address changes in bond market conditions. Ms. Pamela Levin of the Controller's Office advises that $455,000 will be placed on a Controller's reserve (see File 03-0093 of this report to the Budget Committee). The $11,295,000 ($11,750,000 minus $455,000) in lease revenue bonds would be fully redeemed by October 1, 2008, according to Ms. Sesay who reports that the bonds will be redeemed over a five year period.

A total estimated cost of $12,452,864, including bond principal of $11,295,000, and interest of $1,157,864 (see Comment No. 3), would be repaid over the five year term of the lease revenue financing by applicable City Departments, according to Ms. Sesay. This total of $12,452,864 does not include the $455,000 in reserved funds set aside to address market conditions, discussed above.

Description:

In June of 1990, San Francisco voters approved Proposition C, a Charter Amendment which authorized the Board of Supervisors to approve, without further voter approval, lease-financing of equipment purchases for the City through a nonprofit public benefit corporation, the City and County of San Francisco Finance Corporation. The equipment leased by the City is purchased by the City and County of San Francisco Finance Corporation with the proceeds from lease revenue bonds.

According to Ms. Sesay, the City has issued lease revenue bonds for the procurement of equipment on an annual basis since FY 1990-91, with the exception of FY 1996-97 and FY 2000-2001. The Mayor's Office is now requesting authorization to issue up to $11,750,000 to be repaid over a five year period in City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2003A ("Series 2003A Lease Revenue Bonds"), for the acquisition

and installation of equipment previously approved by the Board of Supervisors in the FY 2002-2003 budget in the amount of $9,715,060. According to Ms. Levin, the FY 2002-2003 budget, as finally adopted by the Board of Supervisors, included a total of $16,962,692 in equipment purchases for the General Fund and General Fund supported departments, of which $9,715,060 would be financed with the subject lease revenue bonds rather than purchased outright. According to Ms. Sesay, by using the Series 2003A Lease Revenue Bonds, the cost of the equipment will be spread out over the life of the bonds, or five years, instead of purchasing the equipment outright in FY 2002-2003. According to Ms. Dawn Kamalanathan of the Mayor's Budget Office, the remaining $7,247,632 included in the FY 2002-2003 Budget ($16,962,692 less $9,715,060), if purchased (see Comment No. 4), will continue to be purchased outright instead of using lease revenue bond financing because such equipment does not meet the criteria for lease financing including having a useful life of at least five years.

Ms. Sesay estimates that the Series 2003A Lease Revenue Bonds will be sold on a competitive basis on or about March 18, 2003, subsequent to the Board of Supervisors approval of this proposed resolution. Ms. Sesay reports that, subsequent to authorization of the proposed resolution, the City and County of San Francisco Finance Corporation will sell bonds to prospective investors and will purchase the equipment on behalf of the City using the proceeds from the lease revenue bond funds. Ms. Sesay explains that the applicable City departments will budget the annual lease payments within their FY departmental budgets for five future years. The appropriation of such annual lease payments will be subject to future appropriation approval of the Board of Supervisors.

The annual budgets of City departments must include the amount of the City's annual lease-purchase payments (including principal and interest) for equipment procured through the City and County of San Francisco Finance Corporation. Since these payments are required under the terms of the equipment lease agreement with the City and County of San Francisco Finance Corporation, the

annual payments become fixed costs of City departments for the term of the lease revenue bond repayment period, once the equipment has been procured and acquired by the City and County of San Francisco Finance Corporation. City departments will make lease payments to the City and County of San Francisco Financing Corporation, which in turn will use such monies to redeem the bonds.

This proposed resolution also provides for (a) the payment of bond issuance costs related to the issuance of the Series 2003A Lease Revenue Bonds which are incurred prior to the actual date of issuance, (b) the execution of documents needed to implement the proposed resolution, and (c) the ratification of actions previously taken.

Comments:

1. According to Ms. Kamalanathan, the use of lease financing is equivalent to borrowing funds, with resultant interest costs, to purchase equipment. Since such financing requires fixed, mandatory lease payments by City departments over several years, the use of lease-purchases "locks in" departmental expenditures for future years resulting in a reduction in the amount of discretionary monies in the City's budget in future years. Further, purchasing equipment in this fashion results in increased costs to the City due to interest charges and bond issuance costs. However, Ms. Kamalanathan states that the Mayor's Office recommends the use of lease financing for the City's major equipment purchases during times when the City is experiencing significant shortfalls and when interest rates are low.

2. Attachment I, provided by Ms. Sesay, contains a list of the $9,715,060 in equipment to be acquired, by (a) the 13 applicable departments, (b) the number of units to be acquired, and (c) the equipment costs, as previously approved by the Board of Supervisors in the FY 2002-2003 budget.

3. According to Ms. Sesay, the cost to the City of lease financing the $9,715,060 of equipment will vary according

to interest rates.[2] Ms. Sesay estimates that, if the proposed Series 2003A Lease Revenue Bonds are sold in the amount of approximately $11,295,000 (excluding the $455,000 to be placed on reserve), the estimated annual interest rate would be 3.64 percent (based on current financial market interest rates), and based on the expected repayment period of five years. According to Ms. Sesay, financing the $9,715,060 in equipment purchases will result in total estimated expenditures over the five-year period of approximately $11,323,364 due to bond issuance and interest costs (the previously noted $12,452,864 in principal and interest less the $1,129,500 required reserve fund that will be applied to payment of debt service).

4. As previously noted, the FY 2002-2003 budget, as finally adopted by the Board of Supervisors, included a total of $16,962,692 in equipment purchases for the General Fund and General Fund supported departments, of which $9,715,060 will be financed with the subject lease revenue bonds rather than purchased outright, and the remaining $7,247,632 will be purchased outright. As shown in Attachment II, provided by Ms. Kamalanthan, the FY 2002-2003 budget anticipated that $7,549,367 of the $16,962,692 in equipment purchases would be purchased using lease financing. In addition to the $7,549,367 included in the FY 2002-2003 budget, the Mayor's Office has added an additional $2,165,693 to be lease financed rather than purchased outright, for a total of $9,715,060 in equipment costs previously approved by the Board of Supervisors in the FY 2002-2003 Budget.

Ms. Kamalanathan advises that some of the remaining $7,247,632 in equipment budgeted in FY 2002-2003 to be purchased outright may be delayed until the City's fiscal condition improves.

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[2] Ms. Sesay states that the actual interest rate to the City on the proposed equipment lease revenue bonds cannot be determined precisely, because the interest rate will depend on prevailing financial market interest rates when the Series 2003A Lease Revenue Bonds are actually sold. Interest costs will also vary for each equipment item purchased based on the number of years in the repayment period for the item, which cannot exceed the useful life of the equipment or the five-year term of the proposed lease revenue bonds.

5. The Board of Supervisors has previously authorized the issuance by the City and County of San Francisco Finance Corporation of up to $92,369,707 in lease revenue bonds, as shown in Attachment IV of this report, provided by Ms. Sesay.

6. In accordance with Charter Section 9.108, the total outstanding indebtedness of the City and County of San Francisco Finance Corporation may not exceed a principal amount of $20,000,000 million at any given time beginning in FY 1990-1991, with the limit increasing by five percent in each subsequent fiscal year. As shown in Attachment III provided by Ms. Sesay, the maximum amount of allowable indebtedness in FY 2002-2003 for the lease financing of equipment is $35,917,127. Since as of approximately March 1, 2003, the outstanding indebtedness will be $15,790,000, the resulting available balance is $20,127,127, as shown in Attachment III provided by Ms. Sesay. Therefore, the proposed resolution to issue an additional not to exceed $11,750,000 in lease revenue bonds to purchase equipment is permissible.

7. The proposed resolution would provide for a Continuing Disclosure Agreement. According to Ms. Sesay, Federal law requires all cities and counties that issue tax-exempt debt, to file an Annual Report with a national repository for the benefit of the investors. The Annual Report would contain the following information: (1) the financial statements of the City and County of San Francisco Finance Corporation and the City; (2) the status of the project; (3) a summary of budgeted General Fund revenues and appropriations; (4) a summary of assessed valuation of taxable property; and (5) a summary of outstanding and authorized but unissued tax supported debt.

8. Under Charter Section 9.108, the Controller is required to certify, prior to the sale of the proposed Series 2003A Lease Revenue Bonds, that the net interest cost to the City will be lower than other financing involving a lease or leases. As stated in Attachment V, the Controller is certifying that a 2.6 percent interest rate financing is lower than rates presently charged by other private

financing companies. As noted in Comment No. 3, the interest rate used by Ms. Sesay for the proposed issuance to calculate the interest payments and total bond amount is 3.64 percent. Ms. Sesay states that 3.64 percent was used rather than 2.6 percent in order to provide additional capacity should interest rates increase between now and the time the subject bonds are sold. However, Ms. Sesay advises that the interest rate would be approximately 2.6 percent if the bonds were sold on February 11, 2003. As noted in Attachment V, the Controller's survey found a low rate of 3.45 percent and a high rate of 5.87 percent for private financing.

9. According to Ms. Sesay, the proposed resolution also provides for the reimbursement of $157,288 to the City's General Fund for vehicle purchase expenditures advanced by the General Fund prior to the sale of the proposed lease revenue bonds. Attachment VI, provided by Ms. Sesay lists the seven vehicles already purchased, totaling $157,288, for which the subject bond funds will reimburse the General Fund.

10. Given the City's current projected FY 2003-2004 shortfall of up to $350,000,000, combined with current low interest rates and resulting lower cost of borrowing, the Budget Analyst concludes that the proposed use of lease financing is a prudent alternative to an outright purchase of the subject equipment to be acquired.

Recommendation: Approve the proposed resolution.

City and County of San Francisco Finance Corporation
Lease Revenue Bonds, Series 2003A
Equipment Purchase

Dept.	Equipment	Units	Unit Cost	Total Cost	Dept. Sub. Total
Animal Ctrl	Fully-Equipped Van	1	36,000	36,000	36,000
CAT	Local Area Network (Novel 6)	1	349,903	349,903	349,903
CFM	Computer Hardware	1	43,025	43,025	43.025
DPH	Unit Dose Packaging Machine	1	20,775	20,775	
	Transport Monitor	1	21,306	21,306	
	Automatic Refractor/Keratometer	1	21,491	21,491	
	Ultrasound Sys. - Hand	1	26,662	26,662	
	Steris Sterilizer	1	31,258	31,258	
	Total Care ICU Bed	3	17,229	51,686	
	OR Surgical Table	1	36,000	36,000	
	Adult/Pediatric Ventilator	1	38,324	38,324	
	Portable Bronchoscope	1	50,000	50,000	
	Digital Video wndoscopy/Straboscopy Sys	1	55,480	55,480	
	Incubator Uhmedi Giraffe	1	68,042	68,042	
	Dishwashing Machine	1	74,055	74,055	
	Surgical Microscope System	1	90.272	90,272	
	Anesthesia Machines	2	46,591	93,182	
	Mobile Digital Imaging System	1	158,443	158,443	
	Portable X-ray	4	45,028	180,112	
	3 Chip Video tower/Camera	4	58,365	233,458	
	ADA Exam Table	5	6,300	31,500	
	Defibrillator w/biphasic waveform	9	8,988	80,892	
	Defibrillator	11	12,283	135,113	
	Mac-Lab Cath Lab 7000 System Upgrade	1	30,699	30,699	
	Novus Omni Laser console	1	83,450	83,450	1,612,200
DPW	Dump Truck	1	40,500	40,500	
	Loader	1	157,500	157,500	
	3/4T Pick-up Truck w/dump	4	28,000	112,000	
	CrewCab 1T Pick-up w/dump	2	33,000	66,000	
	Front Loader Truck (Flusher)	1	150,000	150,000	
	Air Sweeper	2	200,000	400,000	
	Packers	1	150,000	150,000	
	Mini Dump Truck	1	35,000	35,000	
	Knuckle Boom Dump	1	150,000	150,000	
	Computer Hardware	1	29,000	29,000	
	Pickup, 1/2 ton, full Size, Lev	2	22,000	44,000	1,334,000
ECD	Pentium 4 Computers	26	2,650	68,900	
	Monitors	26	900	23,400	92,300
Fire	Van	1	23,000	23,000	
	Sedan, CNG	5	21,500	107,500	
	Heavy Rescue Truck	1	425,000	425,000	
	Ambulance	4	128,000	512,000	
	Aerial Ladder Truck	1	530.000	530,000	
	Triple Combination Pumper	4	314,000	1,256,000	
	EMS/HQ Lan Upgrade	1	184,785	184,785	3,038,285
Juvenile	2002 Chev. Silverado-Replace	1	21,247	21,247	

Source: Mayor's Budget Office

	2002 Honda Civic CNG-Replace for Juv	1	20,788	20,788	
	2002 Ford F-150 XLT, 4WD	1	20,788	20,788	62,823
OCA	Server	1	56,472	56,472	56,472
Police	Senior Escort Van	1	45,000	45,000	
	Unmarked Cars	29	27,000	783,000	
	Marked Cars	36	37,000	1,332,000	2,160,000
REC	1/4 Ton Pickup w/ 6'bed	2	17,903	35,806	
	3/4 Ton Pickup 4WD	1	31,500	31,500	
	3/4 Ton Pickup w/dump bed	2	30,800	61,600	
	3/4 Ton Pickup w/8' bed Utility body	1	31,500	31,500	
	3/4 Ton Superduty pickup 8' bed & bedliner	5	33,900	169,500	
	72' Rotary Mower	1	22,193	22,193	
	Brush Bandit Chipper 1890HD	1	39,654	39,654	
	F650 Truck	1	52,500	52,500	
	Forklift Toyota 7 Series	1	25,725	25,725	
	Greensmower	1	22,586	22,586	
	Mini Van 12 passenger	1	31,500	31,500	
	Dial in System - Citrix Server	1	100,000	100,000	
	Toro Workman	3	17,850	53,550	
	Turf Truckster	2	18,900	37,800	715,414
Elections	Server Replacement	1	50,000	50,000	50,000
Sheriff	Full Size Cargo Van	1	28,000	28,000	
	Full Size Passenger Van	1	29,000	29,000	
	Administrative Computers & Network	1	70,395	70,395	
	Institutional Washer	1	37,243	37,243	164,637
	Total:	239		$9,715,060	$9,715,060

Source: Mayor's Budget Office

FY 2002-2003 Original Budget

Dept	ClassEqt	Equipment	Count	Amount
Public Works	PW889R	KNUCKLE BOOM DUMP	1	150,000
Public Works	PW890R	PACKERS	1	150,000
Sheriff	SH024R	Institutional Washer/Extractor	0	44,086
Juvenile	ADHCLR	2002 HONDA CIVIC CNG-REPLACE FOR JUV	2	41,576
Animal Care and Control	AN008R	FULLY-EQUIPPED ANIMAL CONTROL VAN	1	36,000
Fire	FC069R	VAN	1	23,000
Fire	FC070R	SEDAN, CNG	5	107,500
Fire	FC071R	HEAVY RESCUE TRUCK	1	425,000
Fire	FC072R	AMBULANCE	4	512,000
Fire	FC073R	AERIAL LADDER TRUCK	1	530,000
Fire	FC074R	TRIPLE COMBINATION PUMPER	4	1,256,000
Juvenile	JV010R	2002 CHEV. SILVERADO-REPLACE	1	21,247
Police	PC141R	SENIOR ESCORT VAN	1	45,000
Police	PC142R	UNMARKED CARS	39	783,000
Police	PC143R	MARKED CARS	48	1,332,000
Public Health	PH096R	FETAL MONITOR	1	14,881
Public Health	PH098N	UNIT DOSE PACKAGING MACHINE	1	19,147
Public Health	PH099R	TRANSPORT MONITOR	1	19,637
Public Health	PH100N	AUTOMATIC REFRACTOR/KERATOMETER	1	21,491
Public Health	PH101N	ULTRASOUND SYSTEM, HAND	1	26,662
Public Health	PH102R	STERIS STERILIZER	1	31,258
Public Health	PH103R	TOTAL CARE ICU BED	3	51,686
Public Health	PH104N	OR SURGICAL TABLE	1	36,000
Public Health	PH105R	ADULT/PEDIATRIC VENTILATOR	1	38,324
Public Health	PH106N	PORTABLE BRONCHSCOPE	1	50,000
Public Health	PH107R	DIGITAL VIDEO WNDOSCOPY/STRABOSCOPY	1	55,480
Public Health	PH108R	INCUBATOR UHMEDI GIRAFFE	1	68,042
Public Health	PH109R	DISHWASHING MACHINE	1	90,055
Public Health	PH110R	SURGICAL MICROSCOPE SYSTEM	1	90,272
Public Health	PH111R	ULTRA LOW TEMP FREEZER	1	12,786
Public Health	PH112R	ANESTHESIA MACHINES	2	93,182
Public Health	PH113R	MOBILE DIGITAL IMAGING SYSTEM	1	158,443
Public Health	PH114R	PORTABLE XRAY	4	180,112
Public Works	PW891R	AIR/GEN SET	1	17,500
Public Works	PW892R	MINI DUMP TRUCK	1	35,000
Public Works	PW893R	DUMP TRUCK	1	40,500
Public Works	PW894R	PICKUP, DUMP	4	112,000
Public Works	PW895R	PICKUP, CREW, DUMP	2	66,000
Public Works	PW896R	FLUSHER	1	150,000
Public Works	PW897R	LOADER	1	157,500
Public Works	PW898R	AIR SWEEPER	2	400,000
Sheriff	SH025R	FULL-SIZE CARGO VAN	1	28,000
Sheriff	SH026R	FULL-SIZE PASSENGER VAN	1	29,000
			149	7,549,367

Source: Mayor's Budget Office

Series 1991A Bonds		Lease Purchase Revenue Bonds Issued	$7,020,000*
		Repayment to Date	7,020,000
		Outstanding Indebtedness: Series 1991A:	$0
Series 1992A Bonds		Lease Purchase Revenue Bonds Issued	$5,555,000*
		Repayment to Date	5,555,000
		Outstanding Indebtedness: Series 1992A:	0
Series 1993A Bonds		Lease Purchase Revenue Bonds Issued	$10,200,000*
		Repayment to Date	10,200,000
		Outstanding Indebtedness: Series 1993A:	0
Series 1994A Bonds		Lease Purchase Revenue Bonds Issued	$6,850,000*
		Repayment to Date	6,850,000
		Outstanding Indebtedness: Series 1994A:	0
Series 1995A Bonds		Lease Purchase Revenue Bonds Issued	$6,075,000*
		Repayment to Date	6,075,000
		Outstanding Indebtedness: Series 1995A:	0
Series 1996A Bonds		Lease Purchase Revenue Bonds Issued	$7,065,000*
		Repayment to Date	7,065,000
		Outstanding Indebtedness: Series 1996A:	0
Series 1997A Bonds		Lease Purchase Revenue Bonds Issued	$13,715,000*
		Repayment to date	10,265,000
		Outstanding Indebtedness: Series 1997A:	3,450,000
Series 1998A Bonds		Lease Purchase Revenue Bonds Issued	$10,835,000*
		Repayment to Date	9,845,000
		Outstanding Indebtedness: Series 1998A:	990,000
Series 1999A Bonds		Lease Purchase Revenue Bonds Issued	$8,315,000*
		Repayment to Date	4,865,000
		Outstanding Indebtedness: Series 1999A:	3,450,000
Series 2002A Bonds		Lease Purchase Revenue Bonds Issued	$7,900,000
		Repayment to Date	0
		Outstanding Indebtedness: Series 2002A:	7,900,000
	Projected Total Outstanding Indebtedness		
		on March 1, 2003	$15,790,000
	Total Maximum Allowable Indebtedness for		
	FY 2002-2003		$35,917,127
	Total Allowable Indebtedness Which Will Still		
	Be Available as of March 1, 2003		$20,127,127
* Total amount issued is $83,30,000			
total amount repaid as of 2/4/2003 is $67,740,000			
Source: City and County of San Francisco Finance Corporation			

Fiscal Year	Authorized Lease Revenue Bonds	
1990-91	$7,304,707	
1991-92	Up to 10,000,000	
1992-93	Up to 10,200,000	
1993-94	Up to 7,000,000	
1994-95	Up to 6,500,000	
1995-96	Up to 7,065,000	
1996-97	0	
1997-98	Up to 14,000,000	
1998-99	Up to 11,500,000	
1999-00	Up to 9,800,000	
2000-01	0	
2001-02	Up to 9000000	
TOTAL	Up to $92,369,707	
Source: City and County of San Francisco Finance Corporation		

Attachment V

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

Revised

February 12, 2003

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: File Number 030131
Authorization for the San Francisco Finance Corporation to Issue Lease Revenue Bonds

Dear Ms. Young:

Charter Section 9.108 provides that the Controller certify, prior to the sale of the lease financing bonds, that the net interest cost to the City will be lower than other financings involving a lease or leases. The Mayor's Office of Public Finance believes that they could issue the bonds at an interest rate of 2.6% based on the rates on January 24, 2003. This rate compares favorably to the rates from other companies including the 3.45% for Comerica Leasing Corporation, 3.63% for GE Capital Public Finance at 5.87% for IBM Global Finance.

In order to provide a buffer against an increase in interest rates due to a change in market conditions, the Mayor's Office has assumed a 3.64% interest rate. It is also assumed that a change in market conditions will impact the comparable companies in a similar fashion.

If you have questions or concerns, please contact me at 554-7500 or Pamela Levin of my staff at 554-7554.

Sincerely,

Edward M. Harrington
Controller

cc: Monique Moyer, Mayor's Office of Public Finance
Harvey Rose, Budget Analyst

City and County of San Francisco Finance Corporation
Lease Revenue bonds, Series 2003A
Equipment Program

The following equipment was purchased by the departments and are to be reimbursed when bond proceeds are available.

Department	Equipment	Units	Unit Cost	Total Cost	Actual Delivery Date
Juvenile	2002 Honda Civic CNG - Replace for Juv	1	20,788.00	$ 20,788.00	12/1/02
Fire	Sedan, CNG	5	21,500.00	107,500.00	12/1/02
Sheriff	Full Size Passenger Van	1	29,000.00	29,000.00	11/2/02
				$ 157,288.00	

Source: Mayor's Budget Office

Item 4 – 03-0093

Note: This item was continued by the Finance Commmittee at its meeting of February 12, 2003.

Department: Mayor's Office of Public Finance

Item: Ordinance appropriating $4,200,633 in Series 2003A Lease Revenue Bonds by the City and County of San Francisco Finance Corporation to fund the purchase of equipment Citywide for Fiscal Year 2002-2003, and placing $455,000 on reserve.

Amount: $4,200,633

Source of Funds: Lease Revenue Bond Proceeds

Description: The proposed ordinance would appropriate $4,200,633 of the not to exceed $11,750,000 in Series 2003A Lease Revenue Bonds to acquire various equipment (see File 03-0131 of this report to the Finance and Audits Committee). According to Ms. Pamela Levin of the Controller's Office, the FY 2002-2003 budget appropriated $7,549,367 in Series 2003A Lease Revenue Bonds. Therefore, approval of the proposed ordinance would result in a total appropriation of $11,750,000 ($7,549,367 plus $4,200,633) in lease revenue bonds to acquire a total of $9,715,060 in various equipment using lease revenue bond financing indebtedness (see File 03-0131 of this report to the Finance and Audits Committee).

The proceeds from the sale of the $4,200,633 of Series 2003A Lease Revenue Bonds would be appropriated as follows:

Equipment Costs	$2,165,693[1]
Required Bond Reserve Fund	1,129,500
Capitalized Interest	256,597
Bond Issuance Cost	193,843
Reserve for Market Conditions	455,000
TOTAL	$4,200,633

Comments:

1. Ms. Dawn Kamalanathan of the Mayor's Budget Office notes that the Annual Appropriations Ordinance for FY 2002-2003 appropriated $7,549,367 in Series 2003A Lease Revenue Bonds and this subject ordinance appropriates the remaining $4,200,633 in Series 2003A Lease Revenue Bonds, for a total FY 2002-2003 appropriation of $11,750,000 in Series 2003A Lease Revenue Bonds. The total of $11,750,000 for Series 2003A lease revenue bonds will enable the City to purchase $9,715,060 of equipment previously approved in the FY 2002-2003 budget (see File 03-0131 of this report to the Finance and Audits Committee).

2. Ms. Nadia Sesay of the Mayor's Office of Public Finance, reports that the City and County of San Francisco Finance Corporation expects to issue $11,295,000 of the Series 2003A Lease Revenue Bonds, but has requested authorization to issue up to $11,750,000, or $455,000 more than is expected to be issued. Ms. Sesay notes that the added authorization of $455,000 provides the City and County of San Francisco Finance Corporation with flexibility to address any changes in bond market conditions. As a result, the subject ordinance places $455,000 on a Controller's reserve, which would authorize the Controller release the $455,000 on reserve prior to its expenditure.

3. If the Finance and Audits Committee, in addition to the Controller, wishes to release the reserve of $455,000

[1] $7,549,367 previously appropriated the in the FY 2002-2003 budget, resulting in a total of $9,715,060.

prior to its expenditure, then a Committee reserve should be placed on the $455,000.

Recommendation: Approve the proposed ordinance.

Item 5 and 6 - File 02-2052 and 03-0159

Department: Asian Art Museum

Item:

File 02-2052
Requesting release of reserved funds in the amount of $316,588 for reconstruction of the old Main Library to house a new Asian Art Museum.

File 03-0159
Ordinance appropriating $3,742,290 for the reconstruction of the old Main Library to house a new Asian Art Museum.

Amount and Source of Funds:

File 02-2052		
1989 Earthquake Safety Program Phase One Bond Proceeds	$316,588	
Subtotal		316,588
File 03-0159		
1994 Asian Art Museum Relocation Bond Series 1999D Interest Income	1,491,120	
1994 Asian Art Museum Relocation Bond Series 1999E Interest Income	2,251,170	
Subtotal		3,742,290
Total		**$4,058,878**

Description: The Asian Art Museum is relocating from its former site in Golden Gate Park to the old Main Library building at 200 Larkin Street where the new Asian Art Musuem will be housed. The total estimated cost for the reconstruction of the Old Main Library Building including seismic retrofit, repair and improvement of the old Main Library building is $165,000,000. A budget and the funding sources for this project, are shown in Attachment I, provided by the Asian Art Museum. As noted in Attachment I, funding sources for this $165,000,000 project include $103,893,954, or 63.0 percent from private donations, with the balance of $61,106,046 or 37.0 percent from the bond funds and related interest income identified in Attachment I. The subject requests for the release of $316,588 (File 02-2052) and the supplemental

appropriation request of $3,742,290 (File 03-0159) are included in the bond funds and related interest income as listed in Attachment I.

File 02-2052
In September of 1990, the Board of Supervisors approved the first bond sale appropriation request of $18,927,166 for Phase One of the Earthquake Safety Program (File 101-90-10). Of the $18,927,166 approved, $1,357,365 was allocated to the Asian Art Museum for the pre-design study and design phases of the seismic improvements to the Old Main Library. The $1,357,365 was placed on reserve pending the selection of design and engineering consultants and the submission of budget details, including estimated hours and hourly rates.

To date, $1,040,777 has been previously released by the Board of Supervisors. Attachment II provided by Ms. Ikuko Satoda of the Asian Art Museum contains a budget showing the expenditures to account for the $1,040,777 previously released by the Board of Supervisors and private funds of $1,612,893, for total pre-design and design cost expenditures of $2,653,670 related to seismic improvements at the Old Main Library. The Asian Art Museum is now requesting that the remaining reserved bond funds of $316,588 ($1,357,365 less $1,040,777) be released for the purpose of funding a portion of the bond-funded estimated construction costs of $59,761,729 shown in Attachment I, instead of being used for the pre-design study and design phases of the seismic improvements as previously appropriated by the Board of Supervisors in 1990.

File 03-0159
The San Francisco electorate approved the issuance of a) $59,700,000 in 1989 Public Safety Improvement Project Bonds, of which $9,420,000 was allocated to the Asian Art Museum project and b) $41,760,416 in 1994 Asian Art Museum Relocation Project Bonds, for partially funding the $165,000,000 new Asian Art Museum project. According to data provided by the Controller's Office and the Asian Art Museum, $9,932,421 in interest income from these bonds have been allocated to the Asian Art Museum project. The Board of Supervisors has previously

appropriated and released $6,190,131 in such interest income. The remaining interest income of $3,742,290 ($9,932,421 less $6,190,131), the subject of this supplemental appropriation ordinance, is also being requested to pay for a portion of the bond-funded estimated construction costs of $59,761,729.

Budget:

As noted above, Attachment I contains a budget, including bond funds and private funding sources, for the total estimated project costs of $165,000,000 including the requested release of reserved funds of $316,588 (File 02-2052) and the requested supplemental appropriation of $3,742,290 (File 03-0159) for construction costs at the new Asian Art Museum. According to Ms. Satoda and, as noted above, the requested amounts of $316,588 and $3,742,290 are included in the bond-funded construction contract costs of $59,761,729, as shown in Attachment I, for the purpose of paying for a portion of the $59,761,729 in estimated construction costs. Ms. Satoda reports that the requested $316,588 would specifically pay for a portion of the S.J. Amoroso subcontract current amount of $15,960,135. Attachment III, provided by Ms. Satoda, shows the allocations, by subcontractor, of the requested $3,742,290 supplemental appropriation.

Comment:

Attachment IV is a memorandum provided by Ms. Satoda which provides additional information pertaining to the two requests of $316,588 and $3,742,290 including the contractor selection process.

Recommendations:

1. Release the requested $316,588 in reserved funds.

2. Approve the proposed supplemental appropriation ordinance of $3,742,290.

Asian Art Museum
Supplemental Funding Request

FUNDING SOURCES	PUBLIC	PRIVATE	TOTAL
1989 Earthquake Safety Bond	9,420,000		9,420,000
1994 Asian Art Relocation Bond-1996E	25,000,000		25,000,000
1994 Asian Art Relocation Bond-1999D	16,753,625		16,753,625
Interest-1989 Earthquake Safety Bond	1,737,669		1,737,669
Interest-Asian Art Relocation - Series 1996E	6,703,632		6,703,632
Interest-Asian Art Relocation - Series 1999D	1,491,120		1,491,120
Private Funding - Capital Campaign Goal		103,893,954	103,893,954
TOTAL FUNDING SOURCES	61,106,046	103,893,954	165,000,000

USES-PUBLICLY FUNDED			
Bond Issuance Costs			
1989 Earthquake Safety Bond	26,138		26,138
1994 Asian Art Relocation Bond-1996E	109,392		109,392
1994 Asian Art Relocation Bond-1999D	164,182		164,182
	299,712	0	299,712
Construction Costs			
DPW - Expenditures & Encumbrances	1,044,605		1,044,605
Public Contracts (see exhibit 1 for detail)	59,761,729		59,761,729
	60,806,334	0	60,806,334
Total Publicy Funded Uses	61,106,046	0	61,106,046

USES-PRIVATELY FUNDED			
Construction and Planning		70,187,954	70,187,954
Consultant & Architectural Fees		13,481,000	13,481,000
Furniture & Equipment		10,350,000	10,350,000
Administration and Project Management		8,580,000	8,580,000
Relocation and Other misc.		1,295,000	1,295,000
Total Privately Funded Uses	0	103,893,954	103,893,954
TOTAL PROJECT COSTS	61,106,046	103,893,954	165,000,000

ASIAN ART MUSEUM
1989 EARTHQUAKE SAFTEY PROGRAM, PHASE ONE BOND PROCEEDS

EXPENDITURES FOR SEISMIC PRE-DESIGN AND DESIGN COSTS

Contractor/Provider	Explanation (Purpose)	Actual Amount	Public Funding 1989 Bonds	Public Funding Other	Private Funding	Total
Rutherford & Chekene	Seismic strenghtening study	346,705*	346,705			346,705 *
Lindvall Richter Associates	Peer review of seismic strenghtening study	36,990	36,990			36,990
Rutherford & Chekene	Seismic strenghtening study contract augmentation	37,191	37,191			37,191
Department of Public Works	Architectural and engineering services	619,891*	619,891			619,891 *
James M. Kelly	Peer review of seismic strenghtening study	7,470			7,470	7,470
EQE International, Inc	Peer review of seismic strenghtening study	43,649			43,649	43,649
Geomatrix Consultants	Peer review of seismic strenghtening study	5,934			5,934	5,934
Forell Elsesser (HOK/LDA/RWA)	Structural Engineering/Base Isolation	911,738			911,738	911,738
OLMM (HOK/LDA/RWA)	Structural Engineering/Seismic Analysis	488,518			488,518	488,518
T/M (HOK/LDA/RWA)	Structural Engineering/Seismic Analysis	155,584			155,584	155,584
Totals			$ 1,040,777	$ -	$ 1,612,893	$ 2,653,670

* See attached memo

PUBLICLY FUNDED CONTRACTS - SUPPLEMENTAL REQUEST

DESCRIPTION	SUB-CONTRACTOR	CURRENT AMOUNT	SUPPLEMENTAL AMOUNT	TOTAL AMOUNT
Structural Demolition	Aman	$4,399,627	$0	$4,399,627
Structural Steel	Bostrom Bergen	$18,499,392	$0	$18,499,392
Structural Concrete	S.J. Amoroso	$15,960,135	$622,584	$16,582,719
Conveying System	ThyssenKrupp	$1,360,000	$26,540	$1,386,540
Earthwork, Trenching, Civil Demolition	Ryan Engineering	$1,043,003	$0	$1,043,003
Seismic Isolation Bearings	Dynamic Isolation Sys	$2,995,000	$0	$2,995,000
Roofing	Lawson Roofing	$1,103,212	$50,861	$1,154,073
Site Shoring	Malcolm	$971,500	$0	$971,500
Architectural Woodwork	ISEC	$1,355,617	$151,793	$1,507,410
Doors, Frames & Hardware	ISEC	$1,024,261	$0	$1,024,261
Reinforced Concrete Masonry Units	E & S Masonry	$505,173	$2,134	$507,307
Sloped Glazing & Curtain Wall	U.S. Glass	$2,247,350	$64,531	$2,311,881
Interior Glazing	U.S. Glass	$1,136,396	$927,581	$2,063,977
Wood Flooring	European Hardwood Floors	$797,676	$3,480	$801,156
Metal Roofing, Louvers, Sheet Metal	S & L Payton	$662,978	$33,283	$696,261
Ceramic Tile	KZ Tile Co.	$211,287	$0	$211,287
Interior Stone	KZ Tile Co.	$989,000	$0	$989,000
Acoustical Ceiling Systems	Spacetone Acoustics	$138,800	$253	$139,053
Food Service Equipment	Kamran and Company	$264,383	$0	$264,383
Carpet and Resilient Flooring	Dupont Commerial Flooring	$267,400	$6,400	$273,800
Sprayed Fireproofing	Frederick Meiswinkel	$0	$708,044	$708,044
Site Work Concrete	All Concrete	$0	$794,026	$794,026
Fabric Shades	Burris Window Shades	$19,579	$3,327	$22,906
Overhead Coiling Doors	Cookson Door Sales	$7,500	$0	$7,500
Operable Partitions	Partition Specialties	$47,331	$0	$47,331
Loading Dock Equipment	Rite Hite Corp.	$12,839	$0	$12,839
Change Order Contigencies			$347,453	$347,453
Total Contracts		$56,019,439	$3,742,290	$59,761,729

MEMO

TO: **Leanne Nhan, Budget Analyst Office**

FROM: **Ikuko Satoda, Asian Art Museum**

DATE: **February 10, 2003**

RE: **Contracts Funded by the Public Funds**

The total project costs of the reconstruction of the Old Main Library building and relocation of the Asian Art Museum are estimated to be $165,000,000. Of the $165,000,000, a total of $61,106,046 will be paid by the public funds (general obligation bond proceeds and interest income). Of the $61,106,046, a total of $59,761,729 is to be used to pay public contracts (see the attachment III for the list of contracts), and the balance is used to pay other City departments for their services.

This memo is to explain the process that the Asian Art Museum goes through to award public contracts including the contractors to whom the funds requested by this supplemental and reserve release requests will be paid.

It is the Asian Art Museum's practice to strictly follow the prescribed public contract process in order to award a contract to any of the sub-contractors. The process includes:

- AAM Project Office sends documents out to bid in accordance with public bid process, including a formal notification process.
- Bids are accepted by the AAM Project Office
- Bids are open by the AAM Project Office publicly at pre-determined time and place
- Once the lowest bidder is identified, the lowest bid is reviewed by the City Attorney's Office and the Office of Human Rights Commission
- Once the AAM Project Office determines that all city requirements are met, a contract is awarded to the successful lowest bidder by the Asian Art Commission.

A total of 26 public contracts have been awarded to sub-contractors and all necessary documents have been forwarded to and processed by the Controller's Office.

Please feel free to contact me if you have any questions.

Item 7 - File 03-0147

Department: Office of the Treasurer and Tax Collector

Item: Resolution authorizing the Tax Collector to sell at public auction certain parcels of tax-defaulted real property.

Description: According to State law, if a property owner does not pay Property Taxes in any one year, the property owner is then considered to be in default. The property owner then has five years to either repay the defaulted Property Tax amount in full or to apply for an installment payment plan over a five-year period. If the defaulted Property Taxes are not repaid in full within five years from the date that the Property Taxes are determined to be tax-defaulted, or if the property owner has not initiated an installment payment plan or has defaulted on an installment payment, then the State grants authority to the Tax Collector to sell the property through a public auction process.

In order to conduct such a public auction, the Tax Collector must first receive authorization from the Board of Supervisors and the State Controller's Office. The proposed resolution would authorize the Tax Collector to sell certain tax-defaulted properties.

Comments: 1. Mr. Francis Nguyen of the Tax Collector's Office advises that 79 properties would be offered at the proposed auction. A copy of the list of properties to be auctioned, together with their minimum bid amounts, is on file with the Clerk of the Board. According to Mr. Nguyen, the last public auction of tax-defaulted property occurred in April of 2002.

2. According to Mr. Nguyen, the properties to be sold at the proposed auction consist of 46 timeshare properties, 19 residential properties, 2 commercial properties, 2 industrial properties and 10 vacant lots, for a total of 79 properties.

3. Mr. Nguyen advises that, based on the minimum bid amounts determined by the Tax Collector, the total minimum proceeds from the sale of the 79 properties

would be $626,473, of which $626,354.50 would be credited to the City's General Fund upon sale of the tax-defaulted properties, with the balance of $118.50 to be paid to the State, as an administration fee of $1.50 for each property. Any additional proceeds realized, from the public auction sale of such properties to the high bidders, in excess of the minimum bid amounts established by the Tax Collector, would revert to the property owners or to other parties of interest such as lien-holders of such properties.

4. According to Mr. Nguyen, after the Board of Supervisors has approved this proposed resolution, the State Controller's Office would be requested by the Tax Collector's Office to also authorize the proposed public auction in order to comply with State law. Subsequent to receiving approval from the State, the list of properties to be sold at the public auction would be made available to interested parties (persons who have contacted the Tax Collector's Office to inquire about public auctions). Additionally, according to Mr. Nguyen, the public auction would be advertised once a week for three consecutive weeks in the *San Francisco Independent*. The newspaper advertisement would contain the time and date of the public auction, and instructions as to how to obtain the list of the properties to be auctioned and the properties' minimum acceptable bid. Mr. Nguyen anticipates that the public auction would take place April 25, 2003. Any property for which the City does not receive at least the minimum bid would be sold at a subsequent public auction, according to Mr. Nguyen.

5. Mr. Nguyen advises that the Tax Collector is required to notify property owners who are in default, by certified mail, that such property owners are required to pay their delinquent Property Taxes in full in order to prevent their property from being sold at a public auction. This notification, pertaining to the subject 79 properties to be sold at public auction, was sent to each of the property owners on October 1, 2002, according to Mr. Nguyen. Mr. Nguyen advises that default notices and notices included in the Property Tax bill were also previously sent annually to each of the 79 property owners for the past five years, as required by State law. The Tax Collector

has also notified, by personal contact, each of the property owners and/or occupants of each property slated for public auction that the property is in default and full payment of delinquent Property Taxes is required in order to prevent their property from being sold at public auction. According to Mr. Nguyen, property owners have the option to repay all of the delinquent taxes in full up until the close of business on the day prior to the date of the proposed public auction.

Recommendation: Approve the proposed resolution.

Item 8 - File 03-0167

Department: Department of Public Health (DPH)

Item: Ordinance amending Section 128 of the San Francisco Health Code to revise selective patient rates for Mental Health services furnished by the Department of Public Health, retroactive to July 1, 2002, and to revise the passport application fee effective upon approval of this ordinance.

Description: In accordance with the San Francisco Health Code, on July 8, 2002, the Board of Supervisors approved an ordinance that established patient rates for services provided by the Department of Public Health (DPH) for FY 2002-2003 (File No. 02-1073). DPH annually reviews its charges for patient services and makes adjustments, when appropriate, to provide for a recovery of costs. The previous ordinance established DPH patient rates for San Francisco General Hospital, Laguna Honda Hospital, Primary Care Clinics (including dental services), Community Mental Health Services, Community Substance Abuse Services, Records and Statistics services, and miscellaneous services.

According to Ms. Anne Okubo of DPH, subsequent to the Board of Supervisors' approval of revised patient rates in July of 2002, as recommended by DPH for FY 2002-2003, the DPH determined that a number of Community Mental Health Services rates were not sufficient to maximize reimbursement from Short Doyle MediCal, which did not issue its July 1, 2002 rate schedule until August of 2002. Therefore, this proposed ordinance would retroactively amend Section 128 of the Health Code to revise four Community Mental Health Services patient rates, effective July 1, 2002, so that DPH can bill at the higher rates and therefore maximize Short Doyle MediCal reimbursement for FY 2002-2003.

In addition, on August 19, 2002, the U.S. State Department increased its Passport Application Execution processing fee by $15.00 or 100 percent, from $15.00 to $30.00. According to Mr. James Alexander of the DPH, to comply with the fees set by the U.S. State Department, the proposed ordinance would retroactively amend Section 128 of the Health Code to

revise the Department's Records and Statistics Passport Application Execution fee for processing passport applications, by $15.00 from $15.00 to $30.00, representing the "Rate per U.S. Department of State".

The proposed revised DPH patient rates and passport fees compared to the existing rates and fees are as follows:

Community Mental Health Services	Current Rate	Proposed Rate	Amount of Increase	Percent Increase
24-Hour Services – Crisis Residential	$260	$280	$20	7.7 Percent
24 Hour Services - Residential	130	140	10	7.7 Percent
Day Services - Rehabilitation	110	120	10	9.1 Percent
Outpatient Services – Case Management Brokerage (per hour)	105	110	5	4.8 Percent
Passport Application (per application)	$15	$30	$15	100 Percent

Comments:

1. According to Mr. Alexander, the DPH's FY 2002-2003 budget is based on estimated Community Mental Health Services patient revenues of $47,021,613, and passport application fee revenues of $181,000, as shown in the table below. Mr. Alexander estimates that the proposed ordinance would increase FY 2002-2003 passport application fee revenues by $26,370 and would increase the Community Mental Health Services fees by $20,368, for a total revenue increase of $46,738 in FY 2002-2003 as a result of the proposed ordinance.

	Previously Approved Rates and Fee Revenue for FY 2002-2003	Proposed Rate and Fee Revenue based on Increased Rates and Fees for FY 2002-2003	Proposed FY 2002-2003 Revenue Increase
Passport Application Fee Revenues	$181,000	$207,370	$26,370
Community Mental Health Services Revenues	47,021,613	47,041,981	20,368
Total	**$47,202,613**	**$47,249,351**	**$46,738**

2. The Attached memorandum from Ms. Okubo provides further background concerning these proposed rates and fees.

3. In the Budget Analyst's forthcoming management audit report of San Francisco General Hospital, the Budget Analyst has made recommendations concerning the DPH's process for the annual patient rate setting.

Recommendation: Approve the proposed ordinance.

Harvey M. Rose

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

City and County of San Francisco

Department of Public Health
POPULATION HEALTH AND PREVENTION
FISCAL OFFICE
101 Grove Street
San Francisco, CA 94102

February 7, 2003

MEMORANDUM

TO: Harvey Rose
Budget Analyst

FROM: Anne Okubo
Deputy Financial Officer

RE: Patient Rates Ordinance – Revised Mental Health & Passport Rates

Mental Health Rates

The Department of Public Health is requesting approval of a patient rate ordinance that will increase selective patient rates for mental health services that are reimbursed under the Short-Doyle Medi-Cal program.

Annually, the Department of Public Health reviews patient rates. This review of patient rates occurs in the spring in order to complete the patient rate ordinance effective July 1. After commencement of the new fiscal year, the California Department of Mental Health issues the Short-Doyle Medi-Cal maximum reimbursement rate schedule, typically in August. During the fall of the fiscal year, DPH prepares its cost report to the California Department of Mental Health for services claimed under the Short-Doyle Medi-Cal program. This cost report is due to the State on December 31.

During this process, DPH reviews a number of factors that maximize revenues claimed in the cost report. One of these factors is Board approved patient rates as compared to the State maximum reimbursement rates. The State reimburses DPH on the lower of the two rates. This review indicated that four mental health rates are below the State maximum reimbursement rate. As a result, DPH is requesting a mid-year revision to the patient rate ordinance in order to maximize reimbursement under the Short-Doyle Medi-Cal program. These four rates, as well as most mental health patient rates were not revised during the annual rate setting in the spring of 2002 because they were projected to be higher than the State maximum reimbursement rates. Based on the new rate schedule issued by the State, all but these four rates continue to maximize reimbursement. No revenue has been lost as a result of this proposed mid year revision in patient rates because reimbursement is not determined until the cost report is complete.

Passport Fees

The Department of Public Health is a designated agent of the U.S. State Department responsible for passport applications. In this capacity, DPH processes passport applications and is subject to application fees as determined by the State Department. DPH is requesting approval to amend the patient rates ordinance to comply with and incorporate passport rates as determined by the State Department. This revision will eliminate the need to amend the patient rate ordinance for passport application fees each time the State Department revises the passport fee schedule.

DPH instituted the revised passport application fees upon receipt of the new fee schedule from the State Department in August. Therefore, no revenue has been lost.

City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, February 26, 2003 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

MEETING CONVENED

The meeting convened at 12:38 p.m.

REGULAR AGENDA

030232 **[Reserved Funds, Mayor's Office of Housing]**

Hearing to consider release of reserved funds, Mayor's Office of Housing, in the amount of $103,843 from the 2002-2003 Community Development Block Grant Program to fund a monitoring officer position within the Mayor's Office of Housing. (Mayor)

2/10/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Joe LaTorre, Mayor's Office of Housing; Harvey Rose, Budget Analyst; Monique Zmuda, Controller's Office.
Release of reserved funds in the amount of $24,250 approved.

APPROVED AND FILED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Noes: 1 - Sandoval

030266 **[Continuation of Public Utilities Commission's contract for Program Management Services]**

Supervisor Dufty

Resolution approving Public Utilities Commission's continuation of Agreement No. CS-524, Program Management Services, with the Water Infrastructure Partners (WIP) for a third year.

(No Public Benefit Recipient.)

2/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Patricia Martel, Public Utilities Commission; David Novogrodsky, Local 21; Lisa Feldstein, Local 21; Todd Ewing, SF Chamber of Commerce; John Bardis; Jim Jefferson, Water Infrastructure Partners; Olivia Chen, Olivia Chen Consultants.
2/26/03 Amend the title on page 1 line 4, after "(WIP)" delete "for a third year" and add "through April 30, 2003". At page 2 line 12 after "services" delete "for the remaining period of the third year" and add "through April 30, 2003".

AMENDED.

Resolution approving Public Utilities Commission's continuation of Agreement No. CS-524, Program Management Services, with the Water Infrastructure Partners (WIP) through April 30, 2003.

(Fiscal impact; No Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030245 **[Funding for the program management services for PUC capital projects]**

Mayor

Ordinance appropriating $5,600,000 of fund balance from the Water Department, $560,000 of fund balance from Hetch Hetchy, and $840,000 of fund balance from Clean Water for a total of $7,000,000 for program management services for the Public Utilities Commission's capital projects for fiscal year 2002-03. (Mayor)

(No Public Benefit Recipient.)

2/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Patricia Martel, Public Utilities Commission; David Novogrodsky, Local 21; Lisa Feldstein, Local 21; Todd Ewing, SF Chamber of Commerce; John Bardis; Jim Jefferson, Water Infrastructure Partners; Olivia Chen, Olivia Chen Consultants.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance appropriating $5,600,000 of fund balance from the Water Department, $560,000 of fund balance from Hetch Hetchy, and $840,000 of fund balance from Clean Water for a total of $7,000,000 for program management services for the Public Utilities Commission's capital projects for fiscal year 2002-03, placing $5,188,465 on Finance and Audits Committee Reserve. (Mayor)

(Fiscal impact; No Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030219 **[Amended Power Purchase Contract]**

Supervisors Peskin, Daly

Resolution approving an amended contract with Calpine Energy Services for the purchase of electricity through June 30, 2006.

(Fiscal impact.)

2/11/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Marla Jurosek, Public Utilities Commission; John Jenkel; Colleen Frenald; Karen Stone.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 3:15 p.m.

CITY AND COUNTY OF SAN FRA[NCISCO]

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

February 20, 2003

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: February 26, 2003 Finance and Audits Committee Meeting

Item 1 – File 03-0232

Department: Mayor's Office of Community Development (MOCD)
Mayor's Office of Housing (MOH)

Item: Hearing to request release of reserved funds in the amount of $24,250 from the Mayor's Office of Housing to fund a 9774 Senior Community Development Specialist I position, from the period beginning March 10, 2003 through June 30, 2003.

Amount: $24,250

Source of Funds: U.S. Department of Housing and Urban Development (HUD).

Description: In May of 2002, the Board of Supervisors approved a resolution (File No. 02-0615) authorizing the Mayor's Office of Community Development (MOCD) to accept and expend the FY 2002-2003 Community Development Block Grant (CDBG) of up to $26,238,220 from the U.S. Department of Urban Housing to support programs providing affordable housing, a suitable living environment, and economic opportunity for low and moderate income residents of San Francisco. At the time, the Budget Analyst recommended the deletion of one vacant 9775 Senior Community Specialist II position in

the MOCD, at a salary and mandatory fringe benefit cost of $103,843, to be funded by the CDBG grant. The Finance Committee reserved the $103,843 in salary and mandatory fringe benefits for that position pending submission to the Finance Committee of additional justification, including a description of the position responsibilities.

The MOH is now requesting that $24,250 of the previously reserved $103,843 (see Comment No. 3) be released to pay for the salary and mandatory fringe benefit costs for one 9774 Senior Community Development Specialist I position instead of the previously reserved 9775 Senior Community Specialist II position. The new 9774 Senior Community Development Specialist I position would be responsible for monitoring compliance of rental housing developments with the City's affordable housing requirements for the Mayor's Office of Housing, as further explained in Attachment I, provided by Mr. Joe LaTorre of the MOH. According to Mr. LaTorre, the new position would be filled by approximately March 10, 2003.

Comments:

1. According to Mr. LaTorre, the $103,843 in CDBG grant funds, previously reserved by the Finance Committee for one Senior Community Development Specialist II position, was for the purpose of monitoring CDBG nonprofit subgrantee contracts for the MOCD. Mr. LaTorre reports that the MOCD and MOH agreed that the position is more needed by the MOH to monitor rental housing developments to ensure compliance with the City's long term affordable housing requirements.

2. According to Mr. LaTorre, the responsibilities to monitor compliance with the City's affordable housing requirements are presently handled by .70 FTEs consisting of a portion of the time allocated for the two positions listed in Attachment I. Approval of this request would result in 1.70 FTEs handling these monitoring responsibilities. Attachment II is a memorandum provided by Mr. LaTorre, explaining the downward substitution of the one previously authorized 9775 Senior Community Development Specialist II to the proposed one 9774 Senior Community Development Specialist I, for

which the Step 5 annual salary of $73,866, is $13,728 less than the Step 5 annual salary of $87,594 of the previously authorized 9775 Senior Community Development Specialist II position.

3. MOH is requesting that reserved funds totaling $24,250 be released to cover $19,877 in salary and $4,373 in mandatory fringe benefits costs, for the remaining 8.1 pay periods in FY 2002-2003, from March 10, 2003 through June 30, 2003, as shown in Attachment II. Attachment II states that the remaining reserved funds of $79,593 (reserved funds of $103,843 less this request of $24,250) will be reprogrammed in the MOCD's FY 2003-2004 budget, subject to separate approval by the Board of Supervisors.

4. Attachment III, provided by Mr. LaTorre, is a description of the position duties for the new Senior Community Development Specialist I position at MOH.

Recommendation: Approval of the requested release of reserved funds in the amount of $24,250 is a policy matter for the Board of Supervisors.

Mayor's Office of Housing

Need for Monitoring Officer Position

Overview

The Mayor's Office of Housing currently is responsible for monitoring annual compliance for approximately 150 rental housing developments (including City-funded developments and inclusionary units), and about 1,500 individual homeowners (including City-funded home purchase assistance, City-funded rehabilitation, and inclusionary units). Borrowers are monitored to ensure compliance with the requirements of the City's regulatory agreements and with regulations governing federally assisted projects, and to permit the City to prepare required reports to HUD.

The monitoring workload has increased substantially in the past several years. Since 1996, MOH has added 41 buildings to its monitoring portfolio, with more than 2,000 units or beds of group housing. Another 13 properties are currently under construction, with most to be completed within a year. MOH's pipeline of projects will add further developments requiring monitoring over the next few years.

The Monitoring Process

The monitoring of rental developments includes preparation of annual compliance monitoring mailing and review of responses submitted (rent and occupancy rolls, building operating budgets, and related materials), as well as site visits to review tenant eligibility files and verify the physical condition of the properties. Monitoring of individual homeowners consists of review of annual monitoring submittals to verify continued owner occupancy. If these reviews appear to indicate non-compliance with the requirements of the assistance, MOH staff follow up with additional site visits and enforcement actions.

Current Staffing of Monitoring

Current staffing for monitoring of MOH's loan portfolio consists of:

- An asset manager (approximately 0.5 FTE), who, in addition to currently performing the monitoring functions, is responsible for: developing asset management policies, procedures and priorities; assessing operating budgets to ensure long-term financial sustainability; reviewing requests for loan extensions and modifications of loan terms; ensuring the overall compliance of projects with program requirements; providing technical assistance to City staff, borrowers, and tenants; negotiating with borrowers, other lenders and other entities in situations requiring workouts; and calculating and publishing annual income and rent limits; and

- An administrative assistant (approximately 0.2 FTE) to the entire Planning and Monitoring team, whose primary responsibilities are review of requests for subordination, responding to

requests for loan payoff, and entering new loans, payoffs and other changes in the asset management database.

With the growth of MOH's portfolio, the asset manager and administrative assistant are no longer able to monitor all projects sufficiently. The primary difficulties are in (1) sending out annual monitoring requests on a timely basis, (2) providing a thorough review of submittals to identify possible non-compliance, (3) processing loan extensions and workouts on a timely basis, (4) carrying out site visits (currently limited to statutorily-required HOME program site visits), and (5) providing the level of technical assistance we believe is necessary to promote high quality, sustainable housing.

Other agencies surveyed (the State of California Department of Housing and Community Development, U.S. Department of Housing Urban Development, and other local agencies) report caseloads of approximately one asset manager/monitoring officer for about 50 rental projects, which appears to be the industry standard. Adding a monitoring officer position would enable MOH to carry out its monitoring responsibilities more effectively, although MOH would still have a staffing level well below industry standard.

MEMORANDUM

Mayor's Office of Housing

February 18, 2003

TO: Harvey Rose, Budget Analyst

FROM: Joe LaTorre, Deputy Director

SUBJECT: 2002-2003 Community Development Block Grant Program
Funds Placed on Reserve – Monitoring Officer Position

The Mayor's Office of Housing has requested that the Finance Committee consider taking off reserve funds in the amount of $103,843 from the 2002-2003 Community Development Block Grant Program. The funds were budgeted for the purpose of funding a monitoring officer position within the Mayor's Office of Housing.

It is our understanding that the Finance Committee wished MOH to provide justification for the transfer of this position to MOH and a description of the proposed duties of the position. We have provided a statement of the need for the monitoring officer position within the Mayor's Office of Housing, and a job description for the position.

The position is not a new position within the overall staffing of the Mayor's Offices of Community Development and Housing. In prior years, the position had been assigned to the Mayor's Office of Community Development, and had carried out monitoring of subgrantee contracts. Beginning with 2002-03 program year, MOCD and MOH had agreed to transfer the position to MOH to enable MOH to carry out its function of monitoring long-term compliance with the requirements of funding agreements for low-income housing, which portfolio continues to expand as developments are completed.

MOH has prepared and submitted to the Department of Human Resources a Job Analysis Questionnaire for the position, in order to determine the appropriate classification of the specific responsibilities which will be assigned to the position at MOH. Based on DHR review and with its concurrence, MOH has carried out a downward adjustment of the position to CSC 9774 (Senior Community Development Specialist I) from the previous classification of CSC 9775 (Senior Community Development Specialist II).

Based on this reclassification, MOH has calculated the funds needed to be as follows:

Biweekly salary (step 2 salary of $63,804):	$2,454
Pay periods: 3/10/03 to 6/30/03	
(Based on 8.1 of 26 pay periods in FY 2002-2003)	x 8.1
Total salary, remainder of FY 2002-03:	$19,877
Benefits and fringe: 22%	4,373
Total funds required:	$24,250

Release of $24,250 will enable the position to be funded for the balance of 2002-03. MOH and MOCD will reprogram the remainder of the reserved funds in our 2003-2004 budget, to be submitted to the Board of Supervisors shortly.

Attachment III

MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

WILLIE LEWIS BROWN, JR.
MAYOR

DARYL HIGASHI
DIRECTOR

Job Description – Monitoring Officer

The San Francisco Mayor's Office of Housing (MOH) administers a variety of housing programs and innovative financing mechanisms that assist in the production of new housing for low- and moderate-Income households and the rehabilitation of single- and multi-family units in San Francisco. The full-time Monitoring Officer oversees the annual monitoring process for rental developments funded by MOH, including reviewing material submitted for annual monitoring (rent and occupancy rolls, building operating budgets, and related materials), site visits to review tenant eligibility files and verify the physical condition of the properties, and informing borrowers of deficiencies and required actions for compliance with loan and regulatory requirements. The Monitoring Officer reports directly to the Planning and Monitoring Director and works closely with the Asset Manager as well as housing development and property management staff. This is a newly created position.

Essential Job Functions - Duties include, but are not limited to, the following:

- Review monitoring submittals for completeness and compliance with project requirements and consistency with norms for property budgets, vacancy rate, industry performance benchmarks, etc. Supervise data entry of annual monitoring information.
- Visit all properties on a rotating basis to assess physical condition of the properties, property management, tenant eligibility, and financial compliance. Prepare follow-up letters describing required corrections and suggested changes.
- In collaboration with the MOH Asset Manager, identify cases of non-compliance or inconsistency with established best practices or norms and contact borrowers to require actions by borrower to come into compliance with regulatory requirements and best practices.
- Prepare annual compliance monitoring mailing to owners of rental developments, track responses to monitoring requests and follow-up with non-respondents.

Required Knowledge, Skills and Abilities

- Knowledge – Familiarity with principles and practices, especially as they apply to affordable housing, in the fields of residential property management and finance, housing codes, housing quality standards, property inspection and loan portfolio management. Familiarity with program compliance oversight and monitoring, including federal and local requirements comparable to those of San Francisco.

- Skills and Abilities – Communicate effectively and sensitively, both orally and in writing, and to work with developers, contractors, property owners, community organizations and tenants in carrying out City housing programs. Operate computers using Windows-based programs, including word processing, spreadsheet, and database software. Work with minimum supervision in a team environment and handle detail-oriented work.

- Physical abilities and work environment – Ability to conduct business using keyboard equipment in a standard indoor office environment. Ability to drive an automobile and conduct on-site walking inspections (often requiring climbing stairs).

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Items 2 and 3 - Files 03-0266 and 03-0245

Note: At its January 29, 2003 meeting, the Finance Committee approved continuation of the PUC's Contract Year 3 with the Water Infrastructure Partners from December 22, 2002 to February 28, 2003 (File 03-0024), and requested the PUC to return to the Finance Committee for approval of the balance of Contract Year 3 (March 1, 2003 to December 21, 2003) once the PUC and the International Federation of Professional and Technical Engineers (IFPTE), Local 21 had resolved a number of issues raised by the union.

Department: Public Utilities Commission (PUC)

Items: **File 03-0266:** Resolution approving Public Utilities Commission's continuation of Agreement No. CS-524, Program Management Services, with the Water Infrastructure Partners for a third year, from March 1, 2003 to December 21, 2003.

File 03-0245: Ordinance appropriating $5,600,000 of fund balance from the Water Department, $560,000 of fund balance from Hetch Hetchy, and $840,000 of fund balance from Clean Water for a total of $7,000,000 for program management services for Public Utilities Commission capital projects.

Description: On August 28, 2000, the Board of Supervisors approved a four-year contract between the PUC and the San Francisco Water Alliance for the San Francisco Water Alliance to provide program management services for the PUC's $4.6 billion Capital Improvement Program (Board Resolution 754-00). The original program management services contract with the San Francisco Water Alliance envisaged a $4.6 billion Capital Improvement Program comprising (a) approximately $3.6 billion for water capital improvement projects, and (b) approximately $1 billion for clean water capital improvement projects. Since that time, detailed planning has focussed on the $3.6 billion for water capital improvement projects and Water Infrastructure Partners is providing program management services for that portion of the total Capital Improvement Program. The PUC's Capital Improvement Program staffing plan only includes staffing projections for the $3.6 billion water capital improvement projects. The final clean water capital improvement program is still being considered by the PUC.

The four-year contract, in an amount not to exceed $45,000,000, is subject to annual Board of Supervisors approval. On June 17, 2002, during Contract Year 2 (September 22, 2001 through September 21, 2002), the Board of Supervisors approved the assignment of the subject contract from the San Francisco Water Alliance to Water Infrastructure Partners, a joint venture consisting of Jacobs Civil, Inc. and Primus Industries, Inc. (Board Resolution 98-02).

File 03-0266: This proposed resolution would authorize continuation of the balance of Contract Year 3 (March 1, 2003 to December 21, 2003). The total cost of Contract Year 3 is not to exceed $13,000,000, including (a) $12,000,000 for the Water Infrastructure Partners contract, and (b) $1,000,000 for the cost to the PUC of managing the contract with existing PUC personnel.

File 03-0245: This proposed ordinance would approve a supplemental appropriation request for Contract Year 3, in the amount of $7,000,000 for the period December 22, 2002 to December 21, 2003 to cover:

(a) $6,000,000 for the Water Infrastructure Partners' Program Management Office (PMO) task which addresses Capital Improvement Program implementation, PUC staff training, and management and administrative services common to the entire program. This $6,000,000 represents 50 percent of the total Contract Year 3 costs of $12,000,000.
(b) $1,000,000 for the cost to the PUC of managing the contract with existing PUC personnel.

As stated above, total not to exceed Contract Year 3 costs are $13,000,000. In addition to the $7,000,000 in costs itemized above, the balance of $6,000,000 ($13,000,000 less $7,000,000) will be allocated to project management contract service (PMC)[1] costs. These PMC costs will be funded by capital improvement project budgets and

[1] Project Management Contract Services (PMC) represents specific Contractor work on the capital improvement projects which the Contractor performs once it has received specific task orders from the PUC. PMC work includes (a) the alternative analysis performed on each project, (b) construction support, (c) support for the development of the Clean Water Master Plan, and (d) specific projects such as the Reliability Study project and the Crystal Springs Bypass Tunnel project.

Proposition A Water Revenue Bond proceeds, according to Mr. Carlos Jacobo of the PUC. Mr. Jacobo and Mr. Surinderjeet Bajwa of the PUC advise that the planning and design components of ongoing projects are being funded by a variety of revenue sources, including Water Enterprise revenues and 1997 Water Revenue Bond proceeds, and that the construction components of ongoing projects will be funded by Proposition A Water Revenue Bond proceeds which are to be the subject of a future supplemental appropriation request. That supplemental appropriation request will seek 18 months of funding for construction costs and PUC personnel costs and is expected to be submitted to the Board of Supervisors in April of 2003 for appropriation by July 1, 2003. The final amount of that supplemental appropriation request has yet to be determined, according to Mr. Bajwa.

Budget: During Contract Year 3, from December 22, 2002 to December 21, 2003, the PUC proposes to expend (a) an amount not to exceed $12,000,000 under the contract with Water Infrastructure Partners, and (b) $1,000,000 on managing the subject contract with existing PUC personnel, as shown in the table below.

Task Order No. 70-3, Subtask Order No:	Proposed Contract Year 3 Expenditures (December 22, 2002 – December 21, 2003)	Estimated Amount	Total
	Water Infrastructure Partners Program Management Office (PMO)		
1	Contract oversight and administration	$900,000	
2	Work plan development	150,000	
3	Staff and organization development (to July 1, 2003)	150,000	
4	Capital Improvement Program and environmental planning	1,000,000	
5	Communications and public information	400,000	
6	Diversity program support (to June 1, 2003)	100,000	
7	Program controls and reporting	1,550,000	
8	Cost estimating database	200,000	
9	Engineering practices	200,000	
10	Records management	200,000	
11	Graphic design and audio/visual support (to June 1, 2003)	50,000	
12	Quality assurance and quality control planning	200,000	
13	Construction management plan	300,000	
	Program Management Reserve (10 percent)	600,000	
	Subtotal:		$6,000,000
	Water Infrastructure Partners Project Management Contract Services (PMC)		
	Specific capital improvement project-related work (as detailed in Attachment I, provided by the PUC) *Subtotal:*	$6,000,000	6,000,000
	TOTAL CONTRACT YEAR 3 COST:		**$12,000,000**
	The costs to the PUC of managing the contract		
	1.5 FTE = 2,000 hours @ $100/hour	$200,000	
	Two part-time staff = 1,500 hours @ $100/hour	150,000	
	Audit	100,000	
	Supplies	100,000	
	Furniture and computers	75,000	
	Printers, fax machines, reproduction costs	75,000	
	Insurance	300,000	
	Subtotal:		1,000,000
	TOTAL:		**$13,000,000**

As shown in Attachment I, with regard to the PMC scope of work activities, the PUC estimates that there will be Capital Improvement Program planning, predesign, and support work in the amount of $11,260,216. Of that amount of $11,260,216, the Contractor would perform half ($5,630,108). The PUC is planning on the Contractor performing an additional $369,892 worth of work

developing further PMC task orders, for a total estimated PMC cost of $6,000,000.

Each of the PMO scope of work activities, and the specified deadline dates for each work activity deliverable, are listed in Attachment II, provided by the PUC.

Source of Funds: During Contract Year 3, the $6,000,000 for the Contractor's Program Management Organization (PMO), and the $1,000,000 for the cost to the PUC of managing the contract with existing PUC personnel, will be funded from the following unappropriated fund balances:

Funding Source	Amount
Water Enterprise Unappropriated Fund Balance	$5,600,000
Hetch Hetchy Unappropriated Fund Balance	560,000
Clean Water Unappropriated Fund Balance	840,000
TOTAL:	**$7,000,000**

Comments:

1. At its January 29, 2003 meeting, the Finance Committee discussed the proposed Contract Year 3 of the Water Infrastructure Partners contract (Resolution 03-0024), and took the following actions:

- Requested that the audit of the Water Infrastructure Partners' Contract Year 2 performance be submitted to the Board of Supervisors no later than May 9, 2003.
- Obtained PUC and Water Infrastructure Partners' agreement to discuss amending the subject contract so that all future performance fee payments to the Water Infrastructure Partners are subject to Board of Supervisors approval, consistent with Board of Supervisors Resolution 868-01. To date, the subject contract has not yet been amended. When the PUC and the Water Infrastructure Partners negotiate a mutually agreed method of paying the performance fee, such method will be brought to the Board of Supervisors for approval, according to Mr. Bajwa. However, since there is still no contract amendment in place, the Budget Analyst recommends that the Finance and Audits Committee amend the proposed

resolution (File 03-0266) to urge the PUC to amend the contract with Water Infrastructure Partners so that all future performance fee payments to be made to Water Infrastructure Partners are subject to Board of Supervisors approval, consistent with Board of Supervisors Resolution 868-01.

- Noted the PUC's submittal of a staffing plan for the Capital Improvement Program and stated that the Finance and Audits Committee would need additional time to evaluate that staffing plan (see Comment No. 2).
- Amended Resolution 03-0024 to cover the approximately two month period from December 22, 2002 to February 28, 2003 of Contract Year 3, and approved extension of Contract Year 3 for that period only.
- Requested the PUC to return to the Finance Committee for approval of the balance of Contract Year 3 (March 1, 2003 to December 21, 2003) once the PUC and the International Federation of Professional and Technical Engineers (IFPTE), Local 21 had resolved a number of issues raised by the union.

2. The PUC staffing plan presented to the Finance and Audits Committee at its January 29, 2003 meeting provides detailed projections of the PUC staffing and consultant needs for each quarter of the full 15 year life of the Capital Improvement Program (FY 2002-2003 through FY 2017-2018).[2] While the staffing plan usefully illustrates what the PUC's total staffing requirements for the $3.6 billion Water Capital Improvement Program which is projected to reach a peak of 544 personnel in the second quarter of FY 2006-2007[3], the Budget Analyst

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[2] Mr. Bajwa advises that the bulk of the Capital Improvement Program work will be completed by FY 2012-2013 and the remaining five year period, from FY 2013-2014 to FY 2017-2018, will be mainly used for project close-out efforts.

[3] This projected peak of 544 personnel during the second quarter of FY 2006-2007 includes 310 City employees comprising 267 PUC staff and 43 Department of Public Works staff. In addition, the balance of 234 personnel (544 less 310) will include (a) 175 specialist consultants contracted to serve under PUC staff for specialist design and construction work, and (b) 59 as-needed outside consultants to relieve peak workloads. Mr. Bajwa advises that FY 2006-2007 is the projected peak period of the Capital Improvement Program when planning, design, and construction of various projects will overlap. However, the exact scope of these projects is still in the planning phase.

notes that these projections lack meaningful context because:

- The staffing plan does not specify how and when current PUC vacancies will be filled. As of January 7, 2003, 51 of the PUC's 240 approved Utilities Engineering Bureau positions are vacant, which represents an approximately 21.3 percent vacancy rate. These 51 vacant positions include (a) 1 Assistant General Manager of Infrastructure, (b) 29 engineers, (c) 2 architects, (d) 2 program managers, (e) 10 other technical positions, and (f) 7 non-technical positions. Furthermore, 7 or approximately 38.9 percent of the 18 new Capital Improvement Program positions approved in the FY 2002-2003 budget remain vacant, including two engineers, one regulatory specialist, one construction inspector, one manager, and two administrative positions.
- The staffing projections exclude estimates as to the number of staff which will be required once the Clean Water Capital Improvement Program commences.
- The staffing projections exclude the number of staff required to implement the Water Enterprise capital projects funded by Propositions A and B.[4]
- The staffing projections exclude the staffing required for ongoing repair and replacement program. Repair and replacement projects relate primarily to the maintenance efforts required to keep the pipelines, pump stations, and treatment and storage facilities functioning at their prescribed levels. Each year the PUC prepares an itemized list of these maintenance projects to be funded as part of the PUC's annual capital budget.

Mr. Bajwa advises that the PUC is working to develop a staffing plan which includes all work being performed by the PUC.

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[4] In November of 1997, San Francisco voters approved $157,000,000 of Water System Reliability and Seismic Safety Bonds (Proposition A) and $147,000,000 of Safe Drinking Water Revenue Bonds (Proposition B), for a total of $304,000,000. The PUC began issuing commercial paper under the Proposition A and B authorizations in 1999 to fund Water Enterprise capital improvement projects, and sold $140,000,000 of the Proposition A and B Water Revenue Bonds in 2001 to refinance that commercial paper debt. The PUC sold the remaining $164,000,000 of the Proposition A and B Water Revenue Bonds in 2002. Such bond sales were previously approved by the Board of Supervisors.

3. Attachment III, provided by the PUC, lists the meetings held between the PUC and IFPTE, Local 21 to date, the attendees, and the issues discussed (program controls, the staffing plan, and the organizational structure). According to Mr. Bajwa, a further meeting will be held on Monday, February 24, 2003, which will include IFPTE, Local 21 technical members, to discuss the Capital Improvement Program implementation strategy, in particular the amount of work to be performed by City staff and the amount of work to be performed by contracted consultants. Mr. Bajwa envisages a number of future meetings with IFPTE, Local 21 to continue discussion on Capital Improvement Program implementation. Mr. Bajwa advises that the IFPTE, Local 21 representatives are agreeable to this process.

4. According to Mr. Bajwa, approximately $600,000 of the requested $7,000,000 under File 03-0245 will have been expended by the PUC to cover Program Management Office work through February 28, 2003. Therefore, the proposed ordinance (File 03-0245) should be amended for retroactivity.

Recommendations:

1. In accordance with Comment No. 1, amend the proposed resolution (File 03-0266) to urge the PUC that the contract with Water Infrastructure Partners be amended so that all future performance fee payments to the Water Infrastructure Partners are subject to Board of Supervisors approval, consistent with Board of Supervisors Resolution 868-01.

2. In accordance with Comment No. 4, amend the proposed ordinance (File 03-0245) for retroactivity.

3. Approval of the proposed resolution (File 03-0266) and the proposed ordinance (File 03-0245), as amended, is a policy matter for the Board of Supervisors.

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MEMORANDUM

DATE: January 15, 2003

TO: Alan Gibson, Board of Supervisors Budget Analyst

FROM: Jeet Bajwa, CIP Group, SFPUC

SUBJECT: Water Infrastructure Partners Contract

Planned Program Management Contract Services (PMC) Year 3

Task Order Descriptions	CIP Estimated Value of Planning and Predesign including Support		Start Date	End Date
Regional				
Lawrence Livermore Water Treatment	$	27,467	11-Nov-02	15-Sep-03
Sunol Quarry Reservoirs	$	116,368	11-Nov-02	31-Dec-03
Capuchino Valve Lot Capacity	$	25,572	11-Nov-02	31-Dec-03
Pipeline Repair Plan and Readiness Improvement	$	3,369,860	4-Aug-00	28-Sep-04
BDPL # 3 & #4 Cross Connection	$	140,317	1-Jan-03	9-Sep-03
HTWTP Short Term Improvements Phase B	$	60,000	1-Jan-03	7-Oct-03
HTWTP Long Term Improvements	$	413,832	1-Jan-03	7-Oct-03
Enlarge Sunol Treatement Capacity to 240 MGD	$	1,320,000	1-Jan-03	31-Dec-03
San Antonio Pump Station (SAPS) Emergency Power	$	52,237	7-Apr-03	22-Aug-03
Adit Leak Repairs (Crystal Spring/Calaveras)	$	33,964	2-Jun-03	25-Jul-03
Pilarcitos Forebay Leak Repairs	$	33,964	25-Aug-03	17-Oct-03
BDPL #1 & 2 Repair Caisson & Pipe Bridge	$	238,944	1-Sep-00	7-May-03
Hetch Hetchy Advanced Disinfection UV*	$	-	17-Apr-01	26-Dec-03
Crystal Springs PS & CS - SA PL Capacity	$	613,372	3-Dec-01	31-Dec-03
SJPL #4 Phases 2 & 3	$	3,119,060	1-Aug-03	31-Jul-04
Irvington Tunnel Altematives	$	324,697	22-Dec-02	30-Jun-03
Total	$	9,889,653		

Local				
Summit Pump Station Upgrades	$	67,597	16-Sep-02	21-Jul-03
Crocker Amazon Pump Station Upgrades	$	41,207	11-Nov-02	28-Apr-03
Forrest Knolls Pump Stations Upgrades	$	40,480	11-Nov-02	21-Jul-03
Total	$	149,284		
Others				
Ground Water Projects	$	169,104	16-Jun-03	15-Jun-04
Recycled Water	$	1,052,176	14-Jul-03	26-Nov-04
Total	$	1,221,280		
Grand Total	$	**11,260,216**		
WIP Total for Year 3	$	**5,630,108**		
PMC Assumption: Work will be split between inhouse staff and WIP on an approximate 50% / 50% basis				
Other PMC Task Orders to be developed - WIP involvement in the Planning Phase of Priority CIP and A & B projects.	$	**369,892**		

* Cost for this project will be determined based on the conclusion of the treatment strategies that will come out
from other treatment projects.

	Water Infrastructure Partners Summary of PMO Scope of Work Activities for Year Three
1	**Program Management Support - Oversight and Administration** Provide planning, administration, oversight and direction of program management support services to the SFPUC.
2	**Work Plan Development** Develop scope of services, cost estimates, and contract deliverables for ongoing PM/CM task orders and PMO Year Four.
3	**Staff Development / Training** Provide ongoing staff development and staff training. Assist in developing a transition program with SFPUC and provide training as needed.
4	**Participation in CIP Planning** Assist in formulating SFPUC/WIP CIP planning team, evaluate projects, develop list of priority factors, assist in developing a financing plan, schedule the activities for EIR documentation, and update CIP as new information becomes available.
5	**Communications and Public Information** Assist SFPUC with the development and implementation of a Communications and Public Information Plan
6	**Diversity Program Support** Provide support for the Diversity Program for the SFPUC, including updates to the SFPUC/HRC employment database, contractor and subcontractor outreach, and employment training compliance.
7	**Program Controls and Reporting** Assist SFPUC with Program Controls Management, CIP updates, cost estimating, pilot and full scale introduction of New Controls System, and Critical Path Scheduling.
8	**Cost Estimating Database** Assist with the refinement of the existing Integrated Estimating Database (IED).
9	**Engineering Practices** Provide limited training and introduction support to previously issued engineering, construction management, project controls and project management project procedures to SFPUC. Assist in the development of Project Managers Procedures Manual and engineering instructions.
10	**Records Management** Provide support in developing and maintaining an engineering archive, including assistance with collecting internal and external reports, references regulations and codes; develop a cataloging system and reference database; develop protocols for future maintenance and updates.
11	**Graphic Design and Audio Visual Development** Provide SFPUC with support for graphic design and audio/visual development for the SFPUC CIP.
12	**Quality Assurance and Quality Control Planning** Provide SFPUC with Quality Control and Quality Assurance support.
13	**Construction Management Plan** Establish standards and procedures for CM staffing and practices. Create an organization to implement construction management and implementation practices.

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SFPUC
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CLEAN WATER

MEMORANDUM

DATE: January 15, 2003

TO: Alan Gibson, Board of Supervisors Budget Analyst

FROM: Jeet Bajwa, CIP Group, SFPUC

SUBJECT: Water Infrastructure Partners Contract

As requested, the following detailed information is provided for the planned WIP PROJECT MANAGEMENT OFFICE (PMO) services for Year 3

PMO SUBTASK 1: OVERSIGHT AND ADMINISTRATION

Scope:

Task 1 Oversight and Contract Management of the WIP

Task 2 PMO Work Activity Monitoring and Documentation

Task 3 Monthly Report

Task 4 Weekly Team Meeting

Task 5 Task Order and Issue Tracking Log

Task 6 Files

Deliverables Summary to December 2003

Invoices, Task Orders, W/MBE Report, audit responses	Monthly & as needed
Monthly Status Reports	15th of following month
Draft Meeting Notes	As needed
Task Order Log	Update weekly
Prepare hard copy documents and electronic files	Continuous

PMO SUBTASK 2: WORK PLAN DEVELOPMENT

Scope:

Task 1 Task Order Development

Task 2 Transition Plan

Deliverables Summary to December 2003

Scope of Work, Labor estimates & deliverables schedule	Continuous
Draft Transition Plan	Due June 2003

PMO SUBTASK 3: STAFF AND ORGANIZATION DEVELOPMENT

Scope:

Task 1 SFPUC Skills Bank & Staffing Requirements

Task 2 Design, Coordination & Execute Staff Development Courses Tech Seminars

Task 3 Create, Build, Implement and Support High Performing Project & Tech Teams

Task 4 Provide Support to SFPUC Management

Task 5 Transition Plan

DELIVERABLES SUMMARY TO JUNE 2003

Update SFPUC Skills Bank	As needed
Provide training courses / seminars	Schedule through duration
Provide assistance to project teams	As needed
Provide support for team building	As needed
Draft Transition Plan	Due May 2003

PMO SUBTASK 4: CIP PLANNING

Scope:

Task 1 Form a WIP/SFPUC Staff Team to prepare scope of work

Task 2 Categorize CIP Projects for Environmental Impact Documentation

Task 3 Categorize Non-CIP Projects for Environmental Impact Documentation

Task 4 Sort Projects into Local Water, Regional Water, Clean Water and Power

Task 5 Redefine CIP and Non-CIP Projects

Task 6 Develop Prioitization Factors to establish project's priority

Task 7 Assign Prioritization for each project

Task 8 Assist Bureau of Finance with Financial Plan

Task 9 Formulate First-Year Project Plan by environmental status

Task 10 Coordinate Technical Activities for EIR Documentation

Task 11 Coordinate Project/Program Management Activities for EIR Documentation

Task 12 Update CIP Program Annually

Task 13 Transition Plan

DELIVERABLES SUMMARY TO DECEMBER 2003

WIP/SFPUC Staff Team roster	First Quarter 2003
Meeting agendas	As needed
Team Action Notes	As needed
List of projects with environmental selection	December 2003
Interim Report	Fourth Quarter 2003
Projects List with costs, benefits & environmental impacts	Fourth Quarter 2003

List of Priority Factors and their basis	Fourth Quarter 2003
Project Rankings List	Fourth Quarter 2003
List of Projects by Environmental categories	Fourth Quarter 2003
Program updates	As needed
Draft Transition Plan	Due June 2003

PMO SUBTASK 5: COMMUNICATIONS AND PUBLIC AFFAIRS

Scope:

Task 1 Communications and Public Affairs Planning support

Task 2 Media Relations support

Task 3 Communication Materials

Task 4 Crisis Communications and Training

Task 5 Database Development and Management for CIP

Task 6 Project Administration and coordination with SFPUC Staff

Task 7 Transition Plan

DELIVERABLES SUMMARY TO DECEMBER 2003

Outreach Programs for CIP and associated projects	Fourth Quarter 2003
Draft Crisis Communication Plan	Fourth Quarter 2003
CIP Communications and Information Materials	Fourth Quarter 2003
Environmental Stewardship Information Materials	Fourth Quarter 2003
Clean Water Information Materials	Fourth Quarter 2003
Placement of news and feature stories support	As needed
Database List of CIP Stakeholders	Fourth Quarter 2003
Draft Transition Plan	Due June 2003

PMO SUBTASK 6 DIVERSITY PROGRAM SUPPORT

Scope:

Task 1 Manage the overall day-to-day operations of the Diversity Subtask

Task 2 Assist SFPUC with Contractor/Subcontractor Outreach

Task 3 Support Implementation of Employment Training Compliance Program to assist contractors with complying with Chapter 12B employment requirements

Task 4 Transition Plan

DELIVERABLES SUMMARY TO JUNE 2003

Weekly reports on contracts	Weekly
Documentation files	As needed
Database of economically disadvantaged workers	Update as needed

Weekly Activities Reports of contacts status	Weekly
Database management and updates	As needed
Draft Transition Plan	Due April 2003

PMO SUBTASK 7 PROGRAM CONTROLS

Scope:

Task 1 Provide Program Controls Manager
Task 2 CIP Updates
Task 3 Cost Estimating services and training
Task 4 Pilot and Full Scale Introduction Activities for New Program Controls System
Task 5 Critical Path CIP Scheduling
Task 6 Program Assessment & Variance Reporting
Task 7 Regional Agency Communications
Task 8 Shutdown and Maintenance Schedules of water system
Task 9 Web-based Project Management System & Stakeholder Reporting
Task 10 Needs Assessment for Construction Status Reporting
Task 11 Project Controls support for CIP Program Manager
Task 12 WIP Project Labor Reporting
Task 13 Transition Plan

DELIVERABLES SUMMARY TO DECEMBER 2003

Completion of P3e Implementation Report	Fourth Quarter 2003
Train relevant SFPUC Project Controls staff	Fourth Quarter 2003
Guidance and Operations Manual for PC System	Fourth Quarter 2003
Maintain and update Program CPM Schedule	Update as needed
Establish and issue monitoring reports	Monthly
Progress Assessments	Monthly
Variance Reports	Monthly
Web-based project management system	Fourth Quarter 2003
Updated CIP Schedule	Annual
Update and verify Resources	Annual
Update P3e Schedule	Monthly
Progress Reports	Semi-annual
Needs CM Assessment Report	Fourth Quarter 2003
Draft Transition Plan	Due June 2003

PMO SUBTASK 8 COST ESTIMATING DATABASE

Scope:

Task 1 Finalize Work Plan

Task 2 Modify and document IED changes as agreed with SFPUC

Task 3 Analyze and Evaluate the SFPUC Bid Cost Database and Identify Modifications

DELIVERABLES SUMMARY TO DECEMBER 2003

Final Work Plan	Fourth Quarter 2003
Modify IED	Fourth Quarter 2003
IED Modification Report	Fourth Quarter 2003
Presentation of IED Modifications	Fourth Quarter 2003
Draft Transition Plan	Due June 2003

PMO SUBTASK 9 ENGINERING PRACTICES

Scope:

Task 1 Project Procedures Training support

Task 2 New and revised Project procedures development

Task 3 Provide support for Project Managers Procedures Manual and Miscellaneous Engineering Instructions development

Task 4 Transition Plan

DELIVERABLES SUMMARY TO DECEMBER 2003

Provide project procedures training support	As needed
Develop and issue new and/or revised procedures	Fourth Quarter 2003
Develop and issue draft Engineering Instructions	Fourth Quarter 2003
Draft Transition Plan	Due June 2003

PMO SUBTASK 10 RECORDS MANAGEMENT

Scope:

Task 1 Records Management system development and implementation

Task 2 Project Library Work Plan and implementation

Task 3 Transition Plan

DELIVERABLES SUMMARY TO JUNE 2003

Draft Document Management Plan	First Quarter 2003
Final Document Management Plan	Second Quarter 2003
Draft Transition Plan	Second Quarter 2003

PMO SUBTASK 11 GRAPHIC DESIGN AND AUDIO/VISUAL DEVELOPMENT

Scope:

Task 1 Develop and maintain a consistent "brand" for the CIP materials

Task 2 Coordinate production of materials for the CIP

Task 3 Maintain a Web-based CIP Construction update

Task 4 Maintain a graphics and photography library of CIP materials

Task 5 Transition Plan

DELIVERABLES SUMMARY TO MAY 2003

CIP Graphic Standards Document	Second Quarter 2003
Brand design for materials	Second Quarter 2003
As needed Maps and Graphics	Second Quarter 2003
Materials Information Template	Second Quarter 2003
Materials to support CIP information	Second Quarter 2003
Web-based Construction Information outline	Second Quarter 2003
Work Plan for Graphics and Photography Library	Second Quarter 2003
Draft Transition Plan	Second Quarter 2003

PMO SUBTASK 12 QUALITY ASSURANCE / QUALITY CONTROL

Scope:

Task 1 Project Quality Program Plan finalize

Task 2 Quality Control Manual draft preparation

Task 3 Transition Plan

DELIVERABLES SUMMARY TO DECEMBER 2003

Project Quality Program Plan	Fourth Quarter 2003
Draft Quality Control Manual	Fourth Quarter 2003
Draft Transition Plan	Due June 2003

PMO SUBTASK 13 CONSTRUCTION MANAGEMENT PLAN AND REVIEWS

Scope:

Task 1 Establish Standards and Procedures for CM Staffing and Practice

Task 2 Create an Organization to Implement Construction Management

Task 3 Implement CM Practice

Task 4 Constructibilty Review services

Task 5 Transition Plan

DELIVERABLES SUMMARY TO DECEMBER 2003

Provide Constructibility Review on individual projects	As needed

Develop a draft Construction Management Plan	Fourth Quarter 2003
Draft Transition Plan	Due June 2003

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MEMORANDUM

DATE: February 19, 2003

TO: Alan Gibson, Board of Supervisors Budget Analyst

FROM: Jeet Bajwa, CIP Group, SFPUC

SUBJECT: Water Infrastructure Partners Contract

Status Report of SFPUC and Local 21 Meetings:

This memo is a chronological report of events and a status update of the discussions between the PUC and IFPTE, Local 21 since the January 29, 2003 Finance Committee hearing.

The first meeting with L21 took place on February 10th. See attached notes.

The second meeting with Local 21 took place on Friday, February 14, 2003. Don Birrer, former Acting AGM for PUC participated in the discussions along with Karen Kubick, Mike Quan and Jeet Bajwa. David Novogrodsky, Vitus Leung and Lisa Feldstein from L-21 participated in this meeting as well.
Summary Notes of this meeting: The binder, submitted to the Finance Committee on January 29, 2003 was discussed and explained to Local 21 page by page, with special emphasis on the organization charts, staffing plans and assumptions, and interdependencies between the staffing plan and the CIP program schedule.

The third meeting was conducted on February 19th, 2003. This meeting was held in the City Engineer's office. The main subject of discussion was Program Controls. See attached notes.

The SFPUC Management will present the implementation plan for the CIP to the Senior Engineers representing L-21 along with the L-21 office representatives on February 24th, 2003.

Meeting Minutes for L-21/SFPUC/DPW Meeting

RECAP MEETING 10 FEBRUARY, 2003
CITY ENGINEER'S OFFICE

Attendees:

Harlan Kelly, Don Birrer, Steve Maiolini, Vitus Leung, David Novodgrosky, Bob Beck, Gerry Finn.

Harlan expressed his desire to be able to use the CIP Program Management System, and that he had anticipated it would be down to the level of detail DPW needs. Don spoke about the need for all the parties involved in the CIP to work together as a team in order for the program to succeed.

Vitus brought up the difficulty in working with the CIP because of the lack of timely information available as well as the exceedingly short time frame they have been provided between receiving the information and the need to comment on it publicly.

Gerry responded to Vitus that the organization chart they were looking at and had been looking at only represented a point in time when in fact there was a dynamic process behind the organization chart so that it was always in a state of flux. This was followed by a presentation of various organization charts for program controls that showed the positions filled by WIP, SFPUC, and open from November 2002 to January 2006. After this the fact that JAQ's for Project Controls Specialists had been written and submitted was added.

This latter fact brought forth the information DPW understood the problem of recruiting and keeping qualified Project Controls staff. Additionally, Local 21 said they were interested in this facet of the problem and would see what was happening to these JAQs at HR.

Don then brought up the question of the level of detail intended to be captured by the CIP Program Controls system, as it was his understanding that the DPW system and the CIP system would be able to 'talk to one another.'

Gerry responded the systems would be able to 'talk to one another,' but the level of detail contained in the CIP system was planned to be at a higher level than that contained in the DPW system.

Harlan expressed concern over this, and questioned why the two systems would not contain the same level of information.

Don reinforced this question stating he thought it necessary for the two systems to be at the same level of detail, i.e., at the DPW level of detail. Don added he would recommend to the Public Utilities Manager that the two systems be at the same level of detail.

Gerry responded that the CIP system could provide any level of detail desired, but the lower the level of detail provided the more expensive the data collection / processing / analysis function would be, i.e., the more detail the higher the cost.

Don replied he thought it would be advisable to hold another meeting with himself, Harlan, Gerry, and Bob Beck attending, at a minimum.

Meeting Minutes for L-21/SFPUC/DPW Meeting

RECAP MEETING 19 FEBRUARY, 2003
CITY ENGINEER'S OFFICE

Attendees:

Harlan Kelly, Don Birrer, Vitus Leung, David Novodgrosky, Gerry Finn, two others from DPW, I believe, who came in later.

Don expressed his opinion that a single control system needs to be in place for use by all implementing agencies in SF, e.g., DPW, PUC, and SFO, and that this system should provide the level of detail presently being sought by DPW.
Harlan stated his agreement with this position.
Don brought up the Charter Meeting of Waste Water was held last Friday, but there were very few invitees from other groups within the City's structure.
David and Vitus agreed saying they had not been invited.
Don said he was having the Charter Meeting of Waste Water rescheduled, and that there would be a more diverse group invited to the meting this time.
Don brought up the subject of the 12-digit wide code structure in use by DPW, and added that the CIP system was being modified to use that width code.
Harlan stated it was not PUC who was the problem now, but it was Finance who was against using the 12-digit wide code structure.
Don said he would see the PUC General Manager and point out where the problem now resided, Finance.
There was some round table talk about the use of seniors (retired SF City staff) to help existing City staff in laying out their work plans, and so on as well as assisting in a continuing dialogue with Local 21.
David and Vitus added they thought that was a good idea, and that this subject should be brought up at the meeting on 24Feb03 at Local 21's office.
It was agreed this seemed a reasonable approach, and the discussion on detail level and attendant cost could be continued at that time. Bob added he would like to see some information on cost vs. level of detail at that meeting.

Upon that note the meeting came to a close.

Item 4 - File 03-0219

Department: Public Utilities Commission (PUC)
Hetch Hetchy

Item: Resolution approving an amended contract with Calpine Energy Services for the purchase of electricity through June 30, 2006.

Description: Hetch Hetchy has traditionally purchased power from wholesale sources to meet its contractual obligations for the sale of electric power to its customers when it is unable to generate sufficient electric power from its hydro-electric power generation facilities. In May of 2001, the PUC entered into a contract with Calpine Energy Services, LP (Calpine) for the purchase of electric power. The term of the contract was five years, commencing on July 1, 2001 and ending on June 30, 2006. The Calpine Energy Services Contract was entered into by the PUC to hedge against high prices for wholesale electric power over the five year period of July 1, 2001 through June 30, 2006. The shortage of supply that resulted in dramatic and sudden increases in the price of wholesale electric power during FY 2000-2001 was expected to continue for up to three years with resulting price volatility, according to PUC testimony to the Board of Supervisors during the consideration of the proposed contract.

Under the terms of the existing contract, the PUC was required to pay Calpine for electric power at a rate of a) $115 per megawatt hour for the one year period of July 1, 2001 through December 31, 2001, and b) $75.25 per megawatt hour for the four year period of January 1, 2002 through June 30, 2006.

Under the terms of the existing contract, for Fiscal Year 2001-2002 the PUC was required to purchase a total of 438,000 megawatt hours at an average price of approximately $95.13 per megawatt hour for a total cost of $41,664,750, and for Fiscal Year 2002-2003 the PUC is required to purchase a total of 438,000 megawatt hours at $75.25 per megawatt hour for a total cost of $32,959,500. Over the five-year term of the existing contract, the PUC is required to purchase a total of 2,190,000 megawatt

hours at a total cost of $173,502,750. The average price per megawatt hour that the PUC is required to pay Calpine is $79.225 under the existing contract with Calpine.

Subsequent to May of 2001, when the PUC entered into the contract with the Calpine, the price of wholesale electric power has varied significantly, but has generally been well below the existing contract price of $75.25 per megawatt hour which the PUC has been paying to Calpine since January 1, 2002. According to Mr. Ed Smeloff, Assistant General Manger of the PUC, if the Calpine contract were entered into now, the price for electric power would be approximately $55 per megawatt hour and the PUC's total required five year payment to Calpine would be $120,450,000 based on the current price of approximately $55 per megawatt hour for 2,190,000 megawatt hours instead of the payment of $173,502,750 at an average price of $79.225 under the existing contract with Calpine. Therefore, such a reduced price which would be paid at today's rates, would have resulted in a savings to the PUC of $53,052,750 ($173,502,750 less $120,450,000) for the required five year purchase of 2,190,000 megawatt hours.

The PUC has been in negotiation with Calpine Energy Services since December of 2001, according to Mr. Smeloff, in an effort to achieve more favorable economic terms for the remainder of the contract period with Calpine. This proposed amendment to the existing contract with Calpine would lower the price per megawatt hour for the electrical power which the PUC must purchase, and would alter the amount of power which the PUC must purchase during certain months of the year as explained on the following page, but without changing the total required purchase of 2,190,000 megawatt hours which the PUC must purchase under the existing contract with Calpine.

Lastly, the proposed amendment would waive the City's right to institute legal action against Calpine Energy Services over the term of the proposed amended contract which would be from approximately March of 2003 to June 30, 2006 or three years and four months.

The proposed contract amendment would reduce the cost per megawatt hour paid by the PUC under the existing contract from the current price of $75.25 to $69, a reduction of $6.25 per megawatt hour or 8.3 percent, as of the effective date of the amended agreement, which would be three days following final approval of the proposed resolution by the Public Utilities Commission and the Board of Supervisors. The PUC approved the amendment to the Calpine Energy Services contract on February 11, 2003. The PUC estimates that, if the contract amendment is approved by the Board of Supervisors and takes effect on March 1, 2003, then the City will save $16,551,000 over the remainder of the contract

Under the existing contract the PUC is required to purchase 50 megawatts of electric power on a continuous basis (24 hours per day, seven days per week). The proposed amendment to the Calpine contract would allow the PUC to purchase less electric power when Hetch Hetchy is generating more electricity and more power when Hetch Hetchy's electricity generation is less due to the need to conserve water. Under the terms of the proposed amended contract, the PUC would purchase 40 megawatts of electric power during the months of January through March of each year, 30 megawatts during the months of April through June, 50 megawatts during the months of July through September plus five megawatts during "peak" hours Monday through Saturday, sixteen hours per day, from 6:00 a.m. to 10:00 p.m., and 60 megawatts during the months of October through December plus 15 megawatts during the aforementioned peak hours. The Attachment to this report, provided by Mr. Smeloff, is a memorandum that further explains the benefit to the City that would result from the amended schedule of power purchases described above.

Lastly, the proposed amendment to the Calpine Energy Services contract includes the following language:

The City waives all right to challenge the validity or the justness of this Agreement for and with respect to the entire term thereof, including any rights under Sections 205 and 206 of the Federal Power Act to request the

FERC [Federal Energy Regulatory Commission] to revise the terms and conditions and the rates or services specified in this Agreement, and hereby agrees not to initiate mediation or arbitration or to make any filings at the FERC or with any other state or federal agency, board, court or tribunal challenging the rates, terms and conditions of this Agreement as to their justness and reasonableness.

According to Deputy City Attorney Vicki Clayton, the decision to waive a legal right is a significant one which must be considered carefully and that the decision to waive legal action in this case is a supportable business decision within the discretion of the Board of Supervisors in light of the benefits to the City of the proposed amendments to the agreement. Ms. Clayton states that the City Attorney would prepare an Attorney Client Privilege written analysis of recent FERC decisions if requested.

Comments:

1. The Budget Analyst has reviewed the PUC's calculation of the estimated savings under the contract amendment of $16,551,000, assuming a commencement date of March 1, 2003. The Budget Analyst concurs with the PUC's calculation. However, the proposed resolution states that the estimated savings is $17,231,400 (page 1, line 24). The Budget Analyst therefore recommends that the proposed resolution be amended to correct the estimated savings of the contract amendment to $16,551,000.

2. Although from a financial standpoint, the Budget Analyst acknowledges that approval of this proposed amended agreement with Calpine would result in a savings of $16,551,000 to the PUC, the fact that the proposed new price per megawatt hour of $69 exceeds the current market price of approximately $55 and because of the proposed provision to waive the City's right to institute legal action against Calpine Energy Services, the Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors.

Recommendations:

1. Amend the proposed resolution by changing the estimated savings on page 1, line 24 from $17,231,400 to $16,551,000.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

SFPUC

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
1155 MARKET ST., 4TH FLOOR, SAN FRANCISCO, CA 94103 • TEL (415) 554-0725 • FAX (415) 554-1854

February 20, 2003

To: Members
Finance Committee

From: Edward Smeloff
Assistant General Manager,
Power Policy, Planning and Resource Development
San Francisco Public Utilities Commission

Re: Proposed Revision to the contract with Calpine Energy Services

The proposed revision to the May 7, 2001 contract provides three benefits to the City and County of San Francisco. They are: 1) a reduction in the price paid per megawatt hour of electricity, 2) a reshaping of the delivery of power to better match the way the Hetch Hetchy project is operated and 3) a commitment by Calpine to work with the City to have the California Independent System Operator establish Newark and Tracy as delivery points under this contract.

PRICE REDUCTION

Under the proposed revised agreement Calpine will reduce the price per megawatt hour from $75.25 to $69.00 for the duration of the contract. This price reduction combined with the changed delivery schedule will lower the overall cost of the contract to the City by $16.5 million through June 30, 2006.

The contract was originally entered into in May 2001 at the height of the California Energy crisis. The price of power in the wholesale electricity market at the time of the contract was $275 per megawatt hour. The average price that Hetch Hetchy paid for power in budget year 2000/2001 was $154 per megawatt hour. Current wholesale electricity prices in Northern California are $55 per megawatt hour. They are forecast to increase to $68 per megawatt hour this summer and decline to $54.50 in 2004, $50.50 in 2005 and $49.75 in 2006.

A commonly accepted method for comparing electricity products is to compare he price of the product with a forward price curve. Using this method the current contract is $43.6 million above current market prices. The revised contract would be $29.5 million above current market prices.

Reshaped Deliveries

The amount of electrical generation from the Hetch Hetchy Project is highly variable and dependent on the hydrologic conditions of the Tuolumne River watershed. Besides being variable from year-to-year, within a year the Project's electrical generation varies with the streamflow runoff. Typically the Tuolumne experiences intermittent runoff during the rainy season from November through March. Runoff increases substantially from April to June with a sustained snowmelt. Due to the hydrology of the watershed there is a seasonal pattern to generation. Typically hydroelectric generation is at its peak from the months of April through June. After June runoff recedes significantly. Given the uncertainty whether the following year will have average precipitation water is held in storage reservoirs to assure that the system will be able to provide water deliveries during periods of drought. Thus even during an average water year there is insufficient generation from the project to meet Municipal and Irrigation District load obligations from July through December. The reshaped delivery of power with 55 megawatts available during the summer months on peak and 75 megawatts during the fall better matches the way that the Hetch Hetchy Project operates. Similarly, the reduction in power delivery in the winter and spring lessens the need to resell unused power into the wholesale market at a discount from the purchased price.

Additional Delivery Points

Currently the Calpine electricity is delivered to a section of the Northern California transmission system known as North of Path 15. The City is responsible for arranging delivery to Tracy or Newark where it has a contractual arrangement with PG&E to delivery the power into San Francisco. Currently, the City is paying the California Department of Water Resources $1.50 per megawatt hour for that service. The proposed revised contract commits Calpine to work with the City to establish Tracy and Newark as delivery points which if effectuated could further reduce the City's purchased power costs.

City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, March 05, 2003 **12:30 PM** **Legislative Chamber - Second Floor**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

MEETING CONVENED

The meeting convened at 12:37 p.m.

REGULAR AGENDA

030220 **[International Museum of Women]**

Supervisors Daly, Dufty, Maxwell, Peskin, McGoldrick

Resolution exempting the potential lease of Pier 26 to the International Museum of Women from the competitive bidding policy set forth in Administrative Code Section 2.6-1.

2/11/03, REFERRED FOR ADOPTION WITHOUT COMMITTEE REFERENCE AGENDA AT THE NEXT BOARD MEETING.

2/18/03, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Supervisors Dufty and Maxwell requested to be added as co-sponsors.

2/18/03, REFERRED to Finance and Audits Committee. Supervisor Hall requested that this matter be referred to Committee.

Heard in Comittee. Speakers: Kari Kilstrom, Port of San Francisco; Harvey Rose, Budget Analyst; Elizabeth Colton, International Museum of Women; Female Speaker, International Museum of Women; Michelle Branch. 3/5/03 At page 2 line 15 add the following: "WHEREAS, By not utilizing the competitive bidding process this Board of Supervisors will be furthering City policies by enabling the International Museum of Women to reach out and provide educational resources, inspiration, funding, and relevant services for young women of color and disadvantaged young women who otherwise would not have access to the type and diversity of resources and services that will be provided by the International Museum of Women; now, therefore be it"
At page 2 line 24 add the following: "FURTHER RESOLVED, That the Museum of Women will further the policies of the City and County of San Francisco by reaching out and providing educational resources, inspiration, funding, and relevant services for young women of color and disadvantaged young women who otherwise would not have access to the type and diversity of resources and services that will be provided by the International Museum of Women."
Supervisors Peskin and McGoldrick requested to be added as co-sponsors.

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030224 [Appropriation - Assessor-Recorder's Office]

Supervisor Dufty

Ordinance appropriating $354,692 in surplus recording fees and re-appropriating $194,128 in equipment, materials and supplies and professional services for a total of $548,820 to cover shortfalls in salaries and services of other departments and for temporary salaries and fringes to address the backlog of deed processing, appraisals, permits, appeals in the Assessor-Recorder's Office for fiscal year 2002-03.

(Fiscal impact; No Public Benefit Recipient.)

2/11/03, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at the February 19, 2003 meeting.

2/13/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

2/19/03, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Heard in Committee. Speakers: Supervisor Dufty; Mabel Teng, Assessor-Recorder; Edward Harrington, Controller; Harvey Rose, Budget Analyst; Teresa Contro, Appraiser, Assessor-Recorder's Office, Local 21 representative; John Farrell, Assessor-Recorder's Office; Augusto (Gus) Cano, Assessor-Recorder's Office; Janet Winder, Management Assistant, Assessor-Recorder's Office; Victor Gonzalez, Assessor-Recorder's Office; Alex Tharayil, Appraiser, Assessor-Recorder's Office.
Amended on page 1 as follows: On line 4, by replacing "$287,583" with "$354,692;" on line 5, by replacing "$269,128" with "$194,128;" on line 6, by replacing "$556,711" with "$548,820."
Amended on page 3 as follows: On line 13, by replacing "$36,262" with "$29,258;" on line 16, be replacing "$46,617" with "$39,613;" on line 20, by replacing "$53,398" with "$46,394."
Amended on page 4 as follows: "On line 11, by replacing "$251,321" with "$325,434;" on line 13, by deleting "$75,000;" on line 14, by adding "$0."
Further amended on page 5 as follows: On line 13, by replacing "$13,530" with "$12,643;" on line 15, by replacing "$450,821" with "$449,943."
Amendment of the Whole bearing new title prepared in Committee.
Continued to 3/5/03.

2/19/03, CONTINUED AS AMENDED.

Heard in Committee. Speakers: Mabel Teng, Assessor-Recorder; Rich Hillis, Assessor-Recorder's Office; Susan Leal, Treasurer; Ted Lakey, Deputy City Attorney; Harvey Rose, Budget Analyst.
3/5/03 Amendment of the Whole bearing new title prepared in Committee.
Supervisor Sandoval requested that the companion hearing file (#030222) be scheduled for 4/30/03.

AMENDED.

Ordinance appropriating $349,671 in surplus recording fees and re-appropriating $194,128 in equipment, materials and supplies and professional services for a total of $543,799 to cover shortfalls in salaries and services of other departments and for temporary salaries and fringes to address the backlog of deed processing, appraisals, permits, appeals in the Assessor-Recorder's Office for fiscal year 2002-03.

(Fiscal impact; No Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

030179 [Lease of Real Property]

Resolution authorizing the exercise of a five year option to extend the lease of approximately 25,939 square feet of space at 1390 Market Street for the Department of Public Health. (Real Estate Department)

(Public Benefit Recipient.)

2/10/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Charlie Dunn, Real Estate Department; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

021997 [Authorizing the transfer of Institutional Police from the Department of Public Health to the Sheriff]
Supervisors Peskin, Dufty, Ma, Newsom

Ordinance amending the Administrative Code by adding a new Section 1.59 to authorize the transfer of the Institutional Police Department from the Department of Public Health to the Sheriff.

(Fiscal impact.)

12/9/02, ASSIGNED UNDER 30 DAY RULE to Rules and Audits Committee, expires on 1/8/2003.

1/14/03, CONTINUED. Heard in Committee. Speakers: Supervisor Aaron Peskin; Sheriff Michael Hennessey; Ken Bruce, Budget Analyst's Office; John Kenedy, Dept. Public Health; Dale Butler, Local 790; male speaker; Bob Woolow; Dave Wong; David Kong.

Continued to next Rules and Audits Committee meeting date.

2/5/03, TRANSFERRED to City Services Committee. New committee structure 2/17/03.

2/27/03, RECOMMENDED. Heard in Committee. Speakers: Michael Hennessey, Sheriff; Elaine Forbes, Budget Analyst's Office; Supervisor Ma; Supervisor Dufty; Supervisor Newsom.
Referred to March 5, 2003 Finance and Audits Committee meeting for fiscal impact review.
Supervisors Dufty, Ma, and Newsom added as cosponsors.

2/27/03, REFERRED to Finance and Audits Committee.

Herad in Committee. Speakers: Sheriff Michael Hennessey; John Cannelli, SF General Hospital; Sergeant Dave Hardy, Sheriff's Department; Officer Elias Santiago, Department of Public Health; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 1:56 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

February 27, 2003

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: March 5, 2003 Finance and Audits Committee Meeting

Item 1 – File 03-0220

Department: Port

Item: Resolution exempting the potential lease of Pier 26 by the Port to the International Museum of Women from the competitive bidding policy set forth in Administrative Code Section 2.6-1.

Description: On August 13, 2001, the Board of Supervisors adopted Resolution 659-01 which endorsed the possible use of Pier 26 for the International Museum of Women. The International Museum of Women is a non-profit organization that is proposing to construct and operate its first museum to honor the lives of women through history and around the world. Board of Supervisors Resolution 659-01 also encouraged the Port Commission to negotiate with the International Museum of Women to develop mutually agreeable terms and conditions for the use of Pier 26 including performance benchmarks for development of the museum.

Administrative Code Section 2.6-1 states the following:

> Whenever in accordance with the provisions of the Charter, any officer, board or commission of the City and County submits a proposed lease or agreement for

> concession privileges to be operated in or upon any property or facility of the City and County to the Board of Supervisors for its approval or disapproval, except where the Board of Supervisors finds that the bidding procedures or insurance requirements are impractical or impossible, it shall be the policy of said board (1) to approve only such proposals as have been awarded to the highest responsible bidder in accordance with competitive bidding procedures...

The proposed resolution would exempt the potential lease of Pier 26 by the Port to the International Museum of Women from the competitive bidding policy set forth in Administrative Code Section 2.6-1. The proposed resolution states that if the Port and the International Museum of Women agree upon mutually acceptable terms of a lease of Pier 26, the Board of Supervisors "shall not disapprove the proposed lease solely on the basis that it [the proposed lease] does not satisfy the competitive bidding policy set forth in Administrative Code Section 2.6-1."

Comments:

1. Attachment I is a memorandum from Ms. Kari Kilstrom of the Port that outlines the prospective steps that would be taken by the Port, through negotiation with the International Museum of Women, if the Board of Supervisors approves this proposed resolution. The Port staff and the International Museum of Women would: (a) enter into an "Exclusive Right to Negotiate" agreement after approval of the Port Commission; (b) conduct project planning, design and environmental review of a proposed development project for Pier 26; (c) negotiate a Lease Disposition and Development Agreement ("LDDA"), which includes a lease that commences upon satisfaction of the conditions stated in the LDDA, and seek its approval by the Port Commission; and, (d) if the LDDA is approved by the Port Commission, submit the lease agreed upon by the Port and the International Museum of Women to the Board of Supervisors for consideration and approval under Charter Section 9.118. If the Lease Disposition and Development Agreement were to be approved by the Board of Supervisors, the proposed development project and lease would commence.

2. According to Ms. Kilstrom, Port staff and the International Museum of Women have held preliminary discussions of potential lease terms. However, Ms. Kilstrom states that this preliminary discussion of such potential lease terms has not resulted in an agreement approved by the Port Commission and that any such terms discussed are not contractually binding until the Port and the International Museum of Women have completed the steps outlined in Attachment I to this report.

3. Pier 26 comprises 89,750 square feet of space that can be leased, of which 80,288 square feet is currently rented under 37 separate leases at an annual rent to the Port of $485,165 (approximately $40,430 per month, or $0.50 per square foot) according to Ms. Kilstrom. The remaining 9,462 square feet at Pier 26 is vacant. The current lessees, who are listed in Attachment II provided by the Port, would have to be relocated at the expense of the developer under a prospective Lease Disposition and Development Agreement, according to Ms. Kilstrom.

4. According to Ms. Kilstrom, the International Museum of Women's estimated project cost to construct the museum is $120 million, including the capital improvements and the acquisition and installation of museum exhibits. The financing sources would be provided entirely by the International Museum of Women with no Port funds and no General Fund monies from the City to be provided for either construction or future operating costs of the museum.

5. Any potential lease agreement negotiated between the Port and the International Museum of Women would be subject to approval of the Board of Supervisors.

6. The Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors. However, from a financial standpoint, the Budget Analyst notes that, without a competitive bidding process for any lease or development project, the Board of Supervisors cannot be assured that the City is realizing the maximum amount of revenue from the private use of City property.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

PORT OF SAN FRANCISCO

Memorandum

To: Ken Bruce
Budget Analyst

From: Kari Kilstrom
Project Manager

Date: February 26, 2003

Re: Pier 26 – Proposal from International Museum of Women ("IMOW")

You asked the Port for a memorandum that outlines the prospective steps in the planning and entitlement process that may proceed if the Board of Supervisors approves a resolution waiving the City's competitive bidding requirements for the IMOW project. The following list includes several, but not all, of the major steps in the process.

- Port Commission consideration of IMOW's request to negotiate and enter into an Exclusive Right to Negotiate agreement ("ERN") with the Port of San Francisco.

- If authorized by Port Commission, ERN negotiations between Port staff and IMOW, which will include:

  - Presentation of development concept to a citizen advisory group to receive community input;

  - Solicitation of review of development concept by Planning Department, San Francisco Bay Conservation and Development Commission ("BCDC"), and other agency staffs, as appropriate;

  - Negotiation of Performance Benchmarks, which may include dates by which to complete items such as: 1) Revised "Preliminary Concept Plan for Pier 24 Annex and Pier 26" including estimated location and square footage for income-generating uses, including expanded meeting/conferencing area, general office areas, etc.; 2) Early review of Preliminary Concept Plan by State Lands and BCDC for consistency with Burton Act; 3) Basic Concept and Schematic Design Process: Milestones to initiate and complete the public review and Port review process; 4) Environmental Review Process: Milestones to initiate and complete; 5) BCDC Permit Process: Milestones to initiate and complete; 6) Fundraising Milestones tied to anticipated construction start date in 2006.

  - Negotiation and finalization of other ERN terms

- Developer due diligence, to assess the construction and regulatory issues associated with the proposed development.

- Project design process, including revised preliminary development concept, as appropriate, schematic design, design development, etc. The design review process would include community input and review by the Waterfront Design Advisory Group (includes Port, Planning Department among other design professionals), and the BCDC Design Review Board.

- Environmental review of project under CEQA.

- Early review of Preliminary Concept Plan by State Lands and BCDC for consistency with Burton Act, upon Port request.

- Lease Disposition and Development Agreement ("LDDA") negotiations, including form of Lease.

- Port Commission consideration of proposed LDDA and form lease, including CEQA findings and public trust consistency findings. Port Commission may approve an LDDA.

- If Port Commission approves the LDDA, Board of Supervisors fiscal review and approval of form Lease.

- Port Commission review and approval of Schematic Design for the Project.

- Application and issuance of a BCDC permit, including Design Review Board meetings (see above) and public hearing.

- Port review of construction drawings and issuance of Building Permit. BCDC concurrent review of precise plans for the project.

- Port conveyance of Lease.

- IMOW construction and completion of project.

PIER 26 TENANTS

					CURRENT RENT	
NO.	DOC.	TENANT		SQ FT	RATE/SQ FT	MONTHLY RENT
1	Lic 054	Bay Roe LLC	M	700	$0.10	$70.00
2	Lic 009	Bertucci, Robert	M	5,481	$0.10	$548.00
3	L-13192	Bruntz, James N.	M	1,674	$0.50	$837.00
4	12956	Bugeja, Peter		2,409	$0.13	$312.70
5	13262	Castillo, Efrain		900	$0.50	$450.00
6	12808	City Building, Inc.		4,514	$0.50	$2,257.18
7	L-12355	City Building, Inc.		2,181	$0.46	$1,014.09
8	L-12402	Embarcadero Automotive, Inc.		2,727	$0.46	$1,266.10
9	L-11788	Fung, Gregory M.D.		1,500	$0.43	$647.95
10	L-13074	Inspection Services, Inc.	office	1,952	$2.05	$4,000.00
11	"	"		2,281	$0.50	$1,140.50
12	'	"		1,519	$0.50	$22.50
13	13272	Inspection Services, Inc.		45	$0.50	$759.50
14	L-12083	LGD, Inc.		2,551	$0.44	$1,130.35
15	12976	Lee, Jay		4,818	$0.52	$2,518.13
16	L-12146	Lewis & Taylor, Inc.		1,827	$0.48	$884.21
17	Lic 044	Malnati, John & Hoffman, Richa	M	2,551	$0.10	$255.00
18	13231	Michael Heavey Construction		2,500	$0.50	$1,250.00
19	L-12951	Mitchell Engineering, Inc.		2,409	$0.47	$1,122.27
20	"	"	office	2,101	$1.55	$3,263.27
21	"	"		0		$129.41
22	L-13208	NCCI, Inc.	office	720	$1.20	$866.00
23	"	"	office	240	$0.31	$74.00
24	"	"		8,250	$0.48	$3,960.00
25	L-12485	Pacific Bell Mobile Services		63	$33.63	$2,118.96
26	13287	Papetti, Sal	M	603	$0.12	$72.36
27	12356	Partition Specialties, Inc.		900	$0.43	$384.93
28	L-12487	Ruyle, Adrian		5,578	$0.44	$2,447.29
29	12491	S.G. Barber Construction, Inc.		4,818	$0.47	$2,245.78
30	12999	SFO Forecast, Inc.		1,674	$0.53	$879.85
31	13080	Shogren, David	M	1,275	$0.12	$153.00
32	12804	Stein, Richard		689	$0.50	$344.53
33	11138	Underwater Resources, Inc.	M	1,300	$0.50	$650.00
34	11589	Underwater Resources, Inc.	M	1,807	$0.37	$660.49
35	12925	Underwater Resources, Inc.	M	2,409	$0.54	$1,301.58
36	Lic 052	Williams, J. Estate of	M	913	$0.10	$91.30
37	13001	Woodbine Alaska Fish Compan	M	2,409	$0.13	$302.18
		VACANCY	shed	9,462	$0.00	$0.00
		TOTAL SQ. FT.		89,750		
		MONTHLY GROSS RENT				**$40,430.41**
		ANNUAL GROSS RENT				**$485,164.92**

M= maritime

PIER 26 TENANTS

					CURRENT RENT	
NO.	DOC.	TENANT		SQ FT	RATE/SQ FT	MONTHLY RENT
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25	L-12485	Pacific Bell Mobile Services		63	$33.63	$2,118.96
26	13287	Papetti, Sal	M	603	$0.12	$72.36
27	12356	Partition Specialties, Inc.		900	$0.43	$384.93
28	L-12487	Ruyle, Adrian		5,578	$0.44	$2,447.29
29	12491	S.G. Barber Construction, Inc.		4,818	$0.47	$2,245.78
30	12999	SFO Forecast, Inc.		1,674	$0.53	$879.85
31	13080	Shogren, David	M	1,275	$0.12	$153.00
32	12804	Stein, Richard		689	$0.50	$344.53
33	11138	Underwater Resources, Inc.	M	1,300	$0.50	$650.00
34	11589	Underwater Resources, Inc.	M	1,807	$0.37	$660.49
35	12925	Underwater Resources, Inc.	M	2,409	$0.54	$1,301.58
36	Lic 052	Williams, J. Estate of	M	913	$0.10	$91.30
37	13001	Woodbine Alaska Fish Compan	M	2,409	$0.13	$302.18
		VACANCY	shed	9,462	$0.00	$0.00
		TOTAL SQ. FT.		89,750		
		MONTHLY GROSS RENT				**$40,430.41**
		ANNUAL GROSS RENT				$485,164.92

M= maritime

Item 2 - File 03-0224

Note: This item was amended and continued by the Finance and Audits Committee at its meeting of February 19, 2003 to the meeting of March 5, 2003. This report is based on the amended version of the proposed ordinance and additional information submitted by the Assessor in response to the direction of the Finance and Audits Committee

Department: Assessor-Recorder

Item: Ordinance reappropriating $194,128 in funds previously appropriated by the Board of Supervisors for equipment, materials and supplies and professional services expenditures and appropriating $354,692 in surplus Recording Fees, resulting in a total supplemental appropriation of $548,820, to fund projected deficits in salaries and other expenditures and to fund additional temporary salaries and fringe benefits in order to address backlogs in the Assessor-Recorders Office related to deed processing, change of ownership appraisals, new construction permits and assessment appeals.

Amount: $548,820

Source of Funds: Reappropriation of existing funds in the amount of $194,128 previously appropriated by the Board of Supervisors in the Assessor's FY 2002-2003 budget and surplus Recording Fee Revenues of $354,692.

Budget:

Sources of Funds

Reappropriation of Existing Expenditures	
Equipment Purchase	$ 67,350
Professional Services	17,136
Materials and supplies	109,642
Subtotal	$ 194,128
Surplus Recording Fee Revenue	
Recording Fees	354,692
Total	$ 548,820

Uses of funds

Permanent Salaries - Miscellaneous	$ 192,546
Temporary Salaries	58,824
Mandatory Fringe Benefits	24,950
Professional and Specialized Services	124,500
Workers Compensation	73,000
Purchasing - Mail Services	75,000
Total	$ 548,820

Description: The requested funds of $548,820 would be expended for the following purposes:

- $146,045 to cover a projected FY 2002-2003 deficit for Salaries;
- $73,000 to cover a projected deficit in Workers Compensation;
- $75,000 to cover overspending of Mail Services;
- $124,500 for computer system maintenance services and license fees for the Assessor's Property System and server network;
- $46,501 to fill two vacant permanent positions as of March 15, 2003 for the balance of FY 2002-2003, including one 1823 Senior Administrative Analyst and one 1824 Principal Administrative Analyst, that were added as new positions to the Assessor's FY 2002-2003 budget but have not been filled;
- $58,824 in Temporary Salaries for four Appraiser Trainee positions for the balance of FY 2002-2003; and,
- $24,950 for related Mandatory Fringe Benefits.

The requested supplemental appropriation of $548,820 would (a) resolve a total projected deficit on the Assessor's FY 2002-2003 budget of $418,545 and (b) would provide a total of $130,275 for personnel costs including permanent salaries of $46,501, temporary salaries of $58,824 and

mandatory fringe benefits of $24,950 to accelerate the processing of deed transfers and new construction permits that, when completed, would result in new assessments and accelerated Property Tax collections. Additionally, the two permanent positions and the temporary salaries for four Appraiser Trainee positions would, according to Mr. Rich Hillis of the Assessor's Office, improve the Assessor's ability to complete pending appeals before the Assessment Appeals Board on a more timely basis.

In this connection, in his FY 2002-2003 Six Month Budget Status Report, issued February 11, 2003, the Controller stated:

> Some additional opportunity for revenue enhancement exists by tackling the assessment backlog. The Assessor reports that the department currently has a significant processing backlog, mostly related to deed processing and new construction. Backlogs have significant potential revenue implications as the 13,000 deeds in queue have been estimated by the Assessor to have up to $2.5 billion in incremental roll value. Additionally, 7,500 construction permits may also yield up to $1.9 billion in incremental roll value.

Further, the Controller reported that, "if the backlog were processed, including assessment, billing and collection in FY 2002-03, the value to various funds would be over $14 million, which includes a $12.6 million increase to the General Fund." The Budget Analyst notes that a $12.6 million increase in FY 2002-2003 General Fund revenues would increase the Controller's projected $31.01 million General Fund balance at the end FY 2002-2003 to $43.61 million. The Controller's estimate does not assume that the entire backlog of the Assessor's Office would be eliminated in FY 2002-2003, however.

Comments:

1. The Budget Analyst has reviewed the Assessor's salary deficit projection of $146,045 and compared it to payroll data provided by the Controller's Office adjusted for positions that became filled following the recent change of administration in this elected office. Based on this review,

the Budget Analyst concurs with the Assessor's projected salary deficit.

2. The projected $73,000 deficit in Workers' Compensation expenditures for the Assessor's Office concurs with the FY 2002-2003 Six Month Budget Status Report prepared by the Controller.

3. The $75,000 in overspending on Mail Services was, according to Ms. Donna Kotake, due to the fact that in July of 2002, County Assessors were informed by the State that the State's Revenue and Taxation Code was amended in connection with assessment appeals. This amendment stipulated that if a property owner is not informed of the assessed value of his/her property by August 1st of each year, then the filing period for an appeal would be extended. Although this notice was optional, according to Ms. Kotake, the prior Assessor decided to send these notices, with the approval of the Mayor's Office in order to avoid an automatic extension for taxpayers. This expenditure was not anticipated in the Assessor's original FY 2002-2003 budget.

4. The $124,500 in Professional Services is to fund system maintenance expenditures and server license costs for, primarily, the Assessor's Property Management System. According to Ms. Kotake, the Property Management System was installed in 1999 and the system warranty expired in the Spring of 2002. This expenditure for system maintenance was not included in the Assessor's original FY 2002-2003 budget according to Ms. Kotake.

5. Based on an initial hiring date of March 15, 2003 for the two vacant positions to be filled, the Finance and Audits Committee approved an amendment to reduce the proposed supplemental appropriation by a total of $7,891 from $556,711 to $548,820. Due to the delay in the consideration of this proposed ordinance, according to Mr. Hillis, the hiring of four Appraiser Trainees, is now anticipated to occur until April 1, 2003. Based on this delayed hiring date, the amount budgeted for Temporary

Salaries for these positions can be further reduced by \$5,021 from \$58,824 to \$53,803.

6. At its meeting of February 19, 2003, the Finance and Audits Committee directed the Assessor to submit additional information on (a) the reorganization of the Assessor-Recorder's Office and (b) performance measures. The Attached memorandum is the Assessor's response to this directive. The Assessor's memorandum describes "organizational and processing improvements" that are or will be implemented to improve productivity in the Assessor-Recorder's Office and provides a schedule for development of performance measures in collaboration with the Controller's Office, which would be completed by May 1, 2003.

7. The Attached memorandum from the Assessor states the following with respect to the Assessor's Real Property backlog:

> *.......the Real Property division currently has a valuation backlog of approximately 3,900 deeds and 7,300 DBI* [Department of Building Inspection permits]. *Processing these backlogs could generate up to \$10 million and \$28 million, respectively, in property taxes. Last year, our real property staff of 25 appraisers were able to value 9,085 deeds (363 per appraiser) and 5,100 permits (204 per appraiser). Approving the 4 new appraisers would allow us to begin to reduce the valuation backlog.*

The Attached memorandum also discusses additional "process and management changes" to increase the Real Property Division's productivity.

8. The Budget Analyst notes that the requested expenditures appear to be ongoing in nature in order to address the Assessor's processing backlog. However, the funding for such expenditures in FY 2002-2003 is partially from one-time expenditures. Although the Finance Committee added back \$75,000 for equipment purchases, the remaining \$67,350 to be reappropriated from equipment purchases and the \$109,642 to be

reappropriated from materials and supplies to fund this proposed ordinance will delay the Assessor's computer replacement program, which was justified as an urgent need in the Assessor's current FY 2002-2003 budget.

9. Although the Assessor has not estimated the amount of additional revenues which would be realized for the remainder of FY 2002-2003, the Budget Analyst estimates that the requested personnel costs of $130,275 will, at the minimum, be self sustaining. Further, anticipated acceleration of increased Property Tax collections in FY 2002-2003 and FY 2003-2004, should somewhat alleviate the City's General Fund shortfall.

Recommendations:

1. In accordance with Comment No. 5 above, amend the proposed ordinance as follows:

Page 3, line 13: Reduce Recorder Fee Revenue by $5,021 from $29,258 to $24,237.

Page 5, line 13: Reduce Temporary Salaries by $5,021 from $58,824 to $53,803.

2. Approve the proposed ordinance as amended.

City and County of San Francisco
Office of the Assessor-Recorder

MABEL S. TENG
Assessor-Recorder

MEMORANDUM

February 25, 2003

TO: SUPERVISOR AARON PESKIN
Chair, Finance Committee

FROM: MABEL TENG
Assessor

CC: SUPERVISOR GERARDO SANDOVAL
SUPERVISOR JAKE MCGOLDRICK

RE: Supplemental Budget Request

In response to last week's hearing on the Assessor's Office's supplemental budget request, below is (1) a description of ongoing organizational and processing changes I am making in the office to reduce existing deed and permit backlogs and to improve efficiency in the Transaction Unit, Exemptions Unit and Real Property Division; and (2) a timeline for obtaining real, measurable performance goals for the Assessor's Office.

In addition to these changes, I am also reviewing the recommendations made by the State Board of Equalization in their *Assessment Practices Survey* (December 2001) and by KPMG Peat Marwick in their *Business Process Re-Engineering Report* (2001). I am also currently conducting an internal review of processes in the office to assess efficiency and productivity. The following organizational and process changes are being implemented as initial improvements to enhance productivity. Over the next six months, we will also compare San Francisco's workload and productivity with other California counties with similar numbers of assessment parcels, property values, and budgets to determine the need for further changes and improvements.

ORGANIZATIONAL & PROCESSING IMPROVEMENTS

I. Transaction Unit

The Assessor's Transaction Unit is responsible for analyzing property transactions and determining whether they should be re-assessed. As discussed in our hearing on February 19th,

there are approximately 13,000 deeds to be processed in the Assessor's Transaction Unit. Timely processing of these deeds could generate over $14 million in property tax revenue to the City. In addition to the new staff requested in the budget supplemental, below are changes I am making to increase productivity in this unit.

1. PCOR Scanning – Preliminary Change of Ownership Statements (PCOR's) are completed by the grantor upon transfer of a property, and contain important information required to determine the assessability of a specific transaction. PCOR's are scanned into the office's computer system so that staff in the Transaction Unit can view them electronically when analyzing a transaction. When I took office on January 8th, PCOR scanning was backlogged approximately 5 months, leading to delays in deed processing. To alleviate the backlog, the Controller has volunteered members of his staff to assist my office in scanning all PCOR's. I am also implementing a permanent system where PCOR's are scanned on a timely basis in the Assessor's Office at City Hall, versus the old process of transporting and scanning these documents at our Stevenson Street office.

2. Transaction Unit/Recorder Integration – Increasing integration of the Recorder's and Transaction Unit's functions will greatly improve deed processing. Currently, the Recorder's Division examines and indexes all deeds. Indexing includes entering certain information from the deed into the Recorder's computer system. This information is then downloaded to the Assessor's system for processing by the Transaction Unit. I am implementing a process to capture additional data at the front end by our Recorder's staff, so that identification of some assessable and non-assessable transaction can be performed systematically. This will reduce processing time for the following transactions:

   - 100% Sales – Direct Enrollment
   - Interspousal Transfers
   - Name Changes
   - Adding Joint Tenant
   - Certain Transfers to a Trust
   - Parent to Child Transfer

   The processing change will require modifications to our existing computer systems as well as additional staff training in the Recorder's Division, but will increase deed processing production significantly. A copy of the proposed processing changes is attached as Exhibit 1. This process change will enable the Transaction Unit to focus on complex changes of ownership that require significant research.

3. Daily Reporting – Our managers are developing daily reports detailing work processed by our transactions unit staff. A copy of this report is attached as Exhibit 2. I am working with our MIS staff to refine this report to sort by transaction types and to include transactions that were processed incorrectly. These reports will allow our managers to set goals, measure output, redistribute workloads, focus on problem areas, and better train staff.

II. Exemption's Unit

This Unit is responsible for applying all legal exemptions in accordance with State Law.

1. The Assessor's Office is consistently criticized by the State Board of Equalization for the significant number of roll corrections processed due to late entry of homeowner's exemptions. These roll corrections are due, in part, to delays in processing deeds. Last year, there were approximately 7,000 roll corrections processed, primarily related to the failure of the office to properly provide a homeowner exemptions. Each roll correction on a $78 homeowner exemption benefit costs the City an additional $50 to process the correction and issue a refund. As part of the Transaction Unit/Recorder integration discussed above, I will provide homeowner exemptions to qualifying taxpayers when they record changes of ownership to significantly reduce the number of roll corrections.

III. Real Property Valuation Unit

The Real Property division is responsible for valuing all change of ownership transactions and improvements made to property in San Francisco. As discussed at our February 19th hearing, the Real Property division currently has a valuation backlog of approximately 3,900 assessable deeds and 7,300 DBI construction permits. Processing these backlogs could generate up to $10 million and $28 million, respectively, in property taxes. Last year, our real property staff of 25 appraisers completed the valuation of 9,085 deeds (363 per appraiser) and 5,100 permits (207 per appraiser). Approving the 4 new appraisers would allow us to begin to reduce the valuation backlog. In addition to these new appraisers, I am increasing the division's productivity (to a goal of 500 appraisals per appraiser) by implementing the following process and management changes.

1. Increasing Direct Enrollments – Currently, direct sales of single-family homes, where the purchase price is greater than the existing roll value, are systematically enrolled after processing by the Transactions Unit. Direct enrollment of simple transactions allows our appraisers to focus on more complex, highly valued properties. I am currently exploring opportunities to expand the use of direct enrollments for small apartment buildings and small commercial properties. The appraisers would receive a report of proposed direct enrollments for their review, which would include selected sales data (e.g. sales price, property characteristics, sale price per square foot, sale price per unit, etc.). This process change could reduce the workload of our appraisal staff so they can focus on larger, more complex transactions.

2. Permit Processing – The Controller's Office and my staff are working together to improve the transfer and processing of DBI permits, and to explore best practices for the ongoing valuation of deeds. We are currently reviewing the information we receive from DBI to insure that all permits and new construction are being captured. In addition, we are working with DBI to implement the electronic transfer of plans to the Assessor's Office. Currently, clerical staff from our Real Property Division utilizes microfilm readers and scanners at 1650 Mission Street to obtain plans. In addition, I have asked the Controller's Office and my staff to explore the increased utilization of self-reporting and

direct enrollments for low valued permits to assist in the reduction of the existing deed backlog.

3. Weekly Reporting of Appraiser Work and Workload – The Real Property managers are developing management reports that will detail completed and outstanding work for each appraiser, principal appraiser, and for the entire Real Property division. Currently, only the number of outstanding ownership changes and permits are reported to management. These reports will focus on the number of outstanding cases by property type and value, and quantify the number of assessment appeals cases pending. These reports will allow management to set staff goals, monitor workloads and more efficiently address backlogs. A working draft of this management report is attached as Exhibit 3.

DEVELOPING PERFORMANCE MEASURES

The Assessor's Office management team met with staff of the Controller's Office to begin the process of developing meaningful performance measures. Below is a timeline for developing these measures.

TASK	DATE COMPLETE
1. Review Existing Performance Measures – The Controller's Office staff and the Assessor's Office staff met to review existing performance measures. Only two of the existing measures where determined to be useful.	Feb 24, 2003
2. Controller's and Assessor's Office staff to review existing audits and reports for recommendations on performance enhancements and measures.	Mar 1, 2003
3. Controller's Office to contact other California Assessor's Offices. Counties to be contacted include: • Alameda • Contra Costa • San Mateo • Santa Clara • Marin • Los Angeles • San Diego	March 14, 2003

City Hall, 1 Dr. Carlton B. Goodlett Place, Room 190
San Francisco, CA 94102-4698
Phone: (415) 554-5500
Fax: (415) 554-7151

4. Controller's and Assessor's staff to review findings to determine use and applicability of recommended measures. Assessor's staff to develop procedures to ensure that performance measures are accurately quantified and evaluated.	April 1, 2003
5. Controller's database of all departments' performance measures to be updated with new measures for Assessor.	April 15, 2003
6. Controller's, Assessor's and Mayor's staff select measures for inclusion in budget book.	May 1, 2003

City Hall, 1 Dr. Carlton B. Goodlett Place, Room 190
San Francisco, CA 94102-4698

Phone: (415) 554-5500
Fax: (415) 554-7151

Item 3 – File 03-0179

Departments: Department of Administrative Services, Real Estate Division (RED)
Department of Public Health (DPH)

Item: Resolution authorizing the exercise of a five year option to extend an existing lease of approximately 25,939 square feet of space at 1390 Market Street (Fox Plaza) for the Department of Public Health.

Location: Suites 210 and 230 on the second floor, Suite 820 on the eight floor, Suite 910 on the ninth floor and Storage Spaces C, D and E on the parking garage level at 1390 Market Street.

Purpose of Lease: To provide office and storage space for the operations of the DPH's Environmental Health Section.

Lessor: Calfox, Inc., as managing agent for building owner, Polk Market Co.

Lessee: City and County of San Francisco on behalf of DPH.

Term of Proposed Extension: Five years beginning December 1, 2003 and ending November 30, 2008.

No. of Sq. Ft. and Rental Cost To The City: 25,939 square feet at a base rent of $44,020 per month, or an average rate of approximately $1.70 per square foot per month (approximately $20.36 annually), totaling $528,240 per year. The subject 25,939 square feet includes 25,526 square feet of office space and 413 square feet of storage space.

Utilities, Maintenance and Repairs, and Janitorial Services: Mr. Charlie Dunn of the RED advises that the subject lease is a full service lease in which the approximate $1.70 per square foot base rent includes all operating expenses and Property Taxes, except for 14,549 square feet for which the DPH would pay electricity costs at approximately $0.30 per square foot per year or $4,308 annually. The 14,549 square feet represents the office space contained in Suite 210 on the second floor of Fox

Plaza, which is separately metered and billed directly to the City's Hetch-Hetchy Power system under the provisions of the existing lease in order pay a lower rate for electricity than if such charges were included in the rental rate. Mr. Dunn advises that the remaining leased space cannot be separately metered and therefore the electricity costs would be included in the base rent of approximately $1.70 per square foot per month. The DPH currently pays approximately $0.30 per square foot per year or $4,308 annually under the existing lease in electricity costs for the 14,549 square feet.

The Lessor will provide all other utilities, including heat, ventilation and air conditioning, water, maintenance and repairs and janitorial services (collectively known as Operating Expenses) at no additional cost to the City.

Increase In Rental Costs:

Under the existing lease, which expires on November 30, 2003, the DPH pays a base rent of approximately $1.32[1] per square foot per month. For the current and final year of the existing lease, or December 1, 2002 through November 30, 2003, Operating Expenses are estimated at approximately $0.30 per square foot per month, for a total monthly rental rate of approximately $1.62 per square foot per month. The proposed rental rate of approximately $1.70 per square foot per month represents an increase of approximately $0.08 per square foot per month. The proposed lease provides for monthly rent of $44,020, which is $1,873 more than the current monthly rent of $42,147, or an increase of approximately 4.4 percent. Mr. Dunn advises that the DPH will be required, in years 2 through 5 of the proposed five-year lease extension, to pay a pro rata share of increases in the Operating Expenses over the first year of the lease extension. Under both, the existing and the proposed lease extension, there is no limitation as to the amount of such additional increased costs which may be charged to the City. Under the existing lease, according to Mr. Dunn, the annual increase in additional rent charged to

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[1] The rental rates and rental rate increases cited on a per-square-foot basis are rounded to the nearest whole cent and therefore do not total the monthly rental rates and rental rate increases cited in whole dollar amounts.

the City for such Operating Expenses has averaged $0.05 per square foot per month over the six years that such annual increases have occurred. As previously noted, the City is currently charged approximately $0.30 per square foot per month for such Operating Expenses under the final year of the existing lease. According to Mr. Dunn, the payment of additional rent for increased Operating Expenses is a standard provision for full service leases. Although Mr. Dunn reports that the RED cannot provide precise estimates of future increases in Operating Expenses, the RED does not anticipate increases in Operating Expenses to be more than the increases that occurred during the term of the existing lease, which, as noted above, on an annual basis resulted in an average annual increase of $0.05 per square foot per month.

Right of Renewal: Two five-year options, including the proposed five-year lease extension, with base rental rate set at 95 percent of market value, as mutually agreed upon by the lessor and the RED.

Tenant Improvements: None.

Source of Funds: The cost of the proposed five-year lease extension would be funded as follows based on the Environmental Health Section's current budget, according to Mr. Jim Gillen of the DPH:

Source	Percent
General Fund	65.95
Work Orders	4.01
Grants	18.83
Special Revenue Accounts	11.21
Total	100%

Description: The proposed resolution would authorize the extension of an existing full service lease at 1390 Market Street for a period of five years for the DPH. The lease would establish a new annual base rent of approximately $1.70

per square foot per month, or $20.36 per square foot per year.

The existing lease for 25,939 square feet at 1390 Market Street consists of (a) 14,549 square feet of office space in Suite 210, which is the primary public visitation and processing facility for the DPH's Environmental Health Section, (b) 10,977 square feet of office space for Suites 230, 820 and 910 for total office space of 25,556 square feet and (c) 413 square feet of storage space. Mr. Gillen advises that the DPH currently has a total of 125 City employees occupying the 25,526 square feet of office space, resulting in an average of approximately 204 square feet per employee.

Comments:

1. According to the provisions of the proposed five-year lease extension the base rent of approximately $1.70 per square foot per month would remain the same during the term of the lease extension. However, as previously noted, the provisions of the existing lease and the proposed five-year lease extension require the DPH to pay a pro rata share of increases in the Operating Expenses over the base rental rate.

2. Mr. Dunn reports that the proposed monthly rent of approximately $1.70 per square foot per month is approximately 95 percent of the month Market Rental rate of approximately $1.79 per square foot per month, or $46,337 monthly. According to Mr. Dunn, the Right of Renewal under the existing lease set forth the provision that rent under a lease extension would be 95 percent of Market Rental Value. Mr. Dunn further reports that the determination of Market Rental Value was based on monthly rent previously negotiated for other leases for space of similar age, location and quality in the Civic Center Area.

Recommendation: Approve the proposed resolution.

Item 4 - File 02-1997

Note: This item was referred from City Services Committee for fiscal impact at its meeting of February 27, 2003.

Departments: Sheriff's Department
Department of Public Health (DPH)

Item: Ordinance amending the Administrative Code to add Section 1.59 authorizing the transfer of the DPH Institutional Police and related positions and functions from the Department of Public Health to the Sheriff's Department and authorizing the Controller and the Director of the Department of Human Resources to transfer the related funding and personnel to the Sheriff's Department.

Description: The proposed ordinance authorizes the Department of Public Health and the Sheriff's Department to enter into an interagency agreement transferring security-related functions and positions from the Department of Public Health (DPH) to the Sheriff's Department. The transfer, including related funding and personnel, would become effective subsequent to approval of the proposed ordinance.

According to the interagency agreement between DPH and the Sheriff's Department, the organizational change is intended to improve law enforcement services and standards at DPH facilities by improving law enforcement management and coordination, establishing a formal law enforcement chain of command, providing improved training opportunities, and assigning more appropriate civil service classifications for security personnel.

Pursuant to the interagency agreement, services will be maintained at the DPH budgeted level for security services for the remainder of FY 2002-2003. The services will be funded by a work order between the Department of Public Health and the Sheriff. In subsequent years, according to Ms. Jean Mariani of the Sheriff's Department, service levels and funding will be negotiated between the two departments in a work order agreement.

All expenditures will be subject to appropriation approval by the Board of Supervisors.

In total, 63.67 budgeted FTEs will be transferred from DPH to the Sheriff's Department. This includes 52.3 Institutional Police positions. The 63.67 FTEs includes 40.3 Class 8204 Institutional Police Officers, 10 Class 8205 Institutional Police Sergeants, one Class 8206 Institutional Police Captain, one Class 8209 Institutional Police Lieutenant, eight Class 8202 Security Guards, three Class 1705 Dispatchers, representing a total of 63.3 permanent positions. Also, funding for a 0.37 temporary Institutional Police position will be transferred to the Sheriff's Department. As of February 20, 2003, of the 63.3 permanent FTEs, 51.0 positions or 80.6 percent are filled and 12.3 positions or 19.4 percent are vacant according to DPH. All of the vacant positions are in Institutional Police classifications.

According to Mr. Ted Lakey of the City Attorney's Office, approval of the proposed ordinance also places into effect the provisions of two Memoranda of Accord. The first Memorandum of Accord, approved in May of 2000, is between the Sheriff and the Service Employees International Union Local 790, the International Brotherhood of Operating Engineers Local 3, and the San Francisco Deputy Sheriff's Association representing line staff. The second Memorandum of Accord, approved in October of 2000, is between the Sheriff and the International Brotherhood of Operating Engineers Local 3, the San Francisco Institutional Police Officer's Association and the San Francisco Deputy Sheriff's Association representing supervisory staff ranks such as Sergeants, Lieutenants, and Captains. According to Ms. Linda Ross of the City Attorney's Office, the two Memoranda of Accord were created to convey the intentions of the Sheriff regarding the integration of the Institutional Police working in the DPH into the Sheriff's Department. The two Memoranda of Accord express the Sheriff's intent to support a) the transfer of the Institutional Police function to the Sheriff's Department, b) the conversion of Institutional Police classifications to Deputy Sheriff classifications, and c) the increase of disability and retirement benefits of Institutional Police

classifications to levels received by Deputy Sheriff classifications. Further, the two Memoranda of Accord provide guidelines for the routine administration of human resources, such as probationary periods, training, and workplace safety. According to Ms. Ross, the provisions of the Memoranda of Accord remain subject to all necessary rules and regulations, such as the civil service process for the selection and appointment of a Deputy Sheriff. According to Ms. Ross, the two Memoranda of Accord were not subject to approval by the Board of Supervisors because the transfer was not in effect at the time. Further, the provisions included in the two Memoranda of Accord will be included in current negotiations with the labor unions and will be submitted to the Board of Supervisors for approval with the Memoranda of Understanding.

As noted above, the two Memoranda of Accord provide for the conversion of Institutional Police positions to sworn Deputy Sheriff classifications. Conversions in the current fiscal year do not require additional approval by the Board of Supervisors according to Ms. Alice Villagomez, Deputy Director of Employee Relations, because a temporary conversion can be obtained administratively when there is no request for supplemental appropriations. However, permanent conversions require approval by the Board of Supervisors through the budget process. Further, individual Institutional Police personnel must qualify and be eligible for the Deputy Sheriff classification before receiving an appointment to a Deputy Sheriff position. If an employee is not eligible or does not accept an appointment to a Deputy Sheriff classification, he or she will remain in the Institutional Police classification until separation from the Department. Once an Institutional Police position is vacated, it can be permanently converted to a Deputy Sheriff classification under the two Memoranda of Accord, subject to funding appropriation approval by the Board of Supervisors.

Comments:

1. Pursuant to the proposed ordinance, the Controller will transfer the unexpended FY 2002-2003 budget for Institutional Police, Security Guard, and Dispatcher personnel remaining as of February 1, 2003 from DPH to the Sheriff's Department. As calculated in Attachment I

by the Sheriff's Department, the Sheriff estimated that the transfer amount would be approximately $1,953,833 based on a transfer date of February 1, 2003. However, due to the delay in the approval of this proposed ordinance, the actual amount to be transferred will be less. Under the proposed ordinance, the Controller would be authorized to adjust the FY 2002-2003 work order transfer to equal the actual amount of required expenditures for the provision of Institutional Police services by the Sheriff during the remainder of the fiscal year if the proposed ordinance is approved.

2. The conversion of Institutional Police positions to equivalent Deputy Sheriff classifications will result in increased costs due to salary differentials, since Deputy Sheriff classifications are higher paid than Institutional Police classifications. The Sheriff's Department originally projected that nine Institutional Police classifications will convert to Deputy Sheriff classifications in FY 2002-2003 and the Sheriff's Department calculated the cost increase to be $63,512 over the remainder of this fiscal year based on a transfer date of February 1, 2003. However, due to the delay in the consideration of this proposed ordinance, Ms. Mariani estimates that the transfer will not occur until April 12, 2003 should the proposed ordinance be approved. Based on this revised transfer date of April 12, 2003, Ms. Mariani estimates that the increased cost resulting from salary differentials for Institutional Police positions that convert to Deputy Sheriff positions would be $33,834 for FY 2002-2003. Calculations are presented in Attachment II prepared by the Sheriff's Department, based on the originally anticipated February 1, 2003 transfer date.

Further, the Sheriff has projected Institutional Police conversions into Deputy Sheriff positions for the next four years, from FY 2003-2004 through FY 2006-2007, as shown in Attachment II. The Sheriff expects that four Institutional Police classifications will convert to Deputy Sheriff classifications in each of the next three subsequent fiscal years through FY 2005-2006 and that there will be three conversions in FY 2006-2007. The total estimated cost from these 15 conversions and the nine conversions in FY 2002-2003, according to Sheriff's Department

calculations shown in Attachment II, is $1,554,431 over the five-year period from FY 2002-2003 through FY 2006-2007.

Beginning in FY 2003-2004, according to Ms. Mariani, DPH's work order costs for these services will be subject to negotiation between DPH and the Sheriff's Department annually. According to Mr. James Alexander of DPH, and as discussed in Attachment III, any increased costs to DPH in future years will be paid for through a reduction in existing DPH budgeted expenditures, potentially resulting in service level reductions, or through identifying additional non-General Fund revenue sources

3. The Budget Analyst estimates that the increased cost of the proposed conversion of all 52.3 FTE Institutional Police positions, including Institutional Police Sergeants and Institutional Police Captains, to equivalent uniformed positions in the Sheriff's Department will be approximately $714,225 at FY 2002-2003 salary and benefit levels.

4. In the FY 2002-2003 Sheriff's Department budget, the Board of Supervisors approved one Sheriff's Captain position to oversee the Institutional Police transition from DPH to the Sheriff's Department and to manage the function once the transition occurred. The position is funded through a work order from DPH. However, DPH has held its Institutional Police Captain position vacant. According to Ms. Mariani, the vacant Institutional Police Captain position, once transferred to the Sheriff's Department, will be eliminated and will not be converted to a Sheriff's Captain position.

5. The Budget Analyst notes that the Controller's FY 2002-2003 Six Month Status report, issued February 11, 2003, projected that the Sheriff's Department will have a FY 2002-2003 deficit of $3,800,000.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Transfer of Security Function from Department of Public Health to Sheriff's Department
Expenditure Estimates 2002-03

2002-03	Total Salaries	Total Fringe Benefits	Salary & Fringe Totals
Laguna Honda			
Budget	600,141	140,038	740,179
Actuals			-
thru 11/22	224,145	49,456	273,601
DPH - 101 Grove			
Budget	204,255	42,582	246,837
Actuals			
thru 11/22	76,106	12,722	88,828
SFGH			
Budget	3,172,491	650,167	3,822,658
Actuals			-
thru 11/22	1,280,217	221,086	1,501,303
Primary Care			
Budget	80,392	16,752	97,144
Estimate			-
thru 11/22	32,034	4,750	36,783
Budget to Projected Spending thru 6/30/03			
Budget	4,057,279	849,539	4,906,818
Projected	4,130,818	727,417	4,858,235
Balance	$ (73,539)	$ 122,122	$ 48,583
	-		-
Projected Spending thru 1/31/03			-
Laguna	354,378	73,233	427,611
DPH	116,344	18,838	135,183
SFGH	2,008,347	327,377	2,335,725
Primary Care	47,434	7,033	54,467
Estimated Remaining Balance for Transfer effective 2/1/03			
Laguna	245,763	66,805	312,568
DPH	87,911	23,744	111,654
SFGH	1,164,144	322,790	1,486,933
Primary Care	32,958	9,719	42,677
Total	$ 1,530,775	$ 423,057	$ 1,953,833

Source: Jean Mariani, Sheriff's Department

ATTACHMENT II

SHERIFF'S DEPARTMENT
TRANSFER OF DEPARTMENT OF PUBLIC HEALTH INSTITUTIONAL POLICE

PROJECTED COST INCREASES

		DPH		SFSD		Cost Differential	
POSITION	Count	Annual Salary	Salary Total	Annual Salary	Salary Total	Individual Position	Total Program
Officer	39.30	$56,723	$2,229,214	$85,349	$2,588,216	$8,626	$339,002
Senior Deputy	-	83,283		73,008		9,725	-
Sergeant	10.00	83,283	832,830	79,830	798,300	18,547	185,470
Lieutenant	1.00	89,788	89,788	91,538	91,538	21,748	21,748
Captain	1.00	78,939	78,939	104,980	104,980	26,021	26,021
Totals	51.30		$3,008,771		$3,583,012	$84,667	$554,241

(Note: Annual salaries based on FY 2001-02 levels.)

CONVERSIONS	Year 1 FY 2002-03	Year 2 FY 2003-04	Year 3 FY 2004-05	Year 4 FY 2005-06	Year 5 FY 2006-07
Number of Officer Positions	5	3	3	3	3
Officer	$43,130	$27,454	$28,278	$29,120	$30,000
Senior Deputy	9,725				
Sergeant	16,547	17,555	18,081	18,624	
Lieutenant	21,748				
Captain	26,021				
Total Salary Difference (a)	119,171	45,009	46,359	47,750	30,000
Add: Benefits (b)	35,751	15,303	23,179	23,875	15,000
Annual Totals	154,922	60,312	69,538	71,625	45,000
FY 02-03 remaining pay periods (c)	83,512				
Aggregated	83,512	220,078	347,815	429,888	467,558
Cumulative Cost	$83,512	$ 289,591	$ 637,208	$1,086,674	$1,554,431

(a) Includes a 3 percent COLA each year.
(b) Estimated at 30 percent plus 4 percent in FY 03-04 and an additional 18 percent in FY 04-05 for anticipated PERS increases.
(c) As of an effective date of February 1, 2003, 10.7 pay periods remain in FY 2002-03.
(d) Aggregated costs are inflated to apply increased benefits on prior year projections carried forward.

Source: Jean Mariani, Sheriff's Department

City and County of San Francisco

Department of Public Health

MEMORANDUM

January 8, 2003

TO: Harvey Rose, Budget Analyst

FROM: James Alexander, Budget Manager

RE: Institutional Police Increases

Increased security costs as a result of the conversion of Institutional Police to Sheriff's Deputies will be subject to annual negotiation of the workorder between the Sheriff and the Department of Public Health. Increased security costs will be absorbed by reductions in existing budgeted expenditures, or by adjusting the level of requested security services equal to the increased costs. Additionally, any non-general fund revenues identified while developing the annual budget would be used to offset increased costs.

(415) 554-2600 101 Grove Street San Francisco, CA 94102

.251
/03

City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGolc

Clerk: Linda Laws

Wednesday, March 19, 2003 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

REGULAR AGENDA

030301 **[Clerical Corrections to Article 10a of the Bus. & Tax Reg. Code]**
Supervisor Peskin

Ordinance amending Article 10a of the San Francisco Business and Tax Regulations Code by making clerical corrections to Sections 750, 751, 753 and 755.1 and amending Section 10.100-67 of the San Francisco Administrative Code by making clerical corrections to omit text intended to be deleted by Ordinance Number 71-02.

2/25/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Speakers: None.

RECOMMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

030243 **[Ratify Port Emergency Repair Contract]**

Resolution ratifying San Francisco Port Commission emergency contract for recovery and repair of marine vessel known as Drydock #1. (Port)

(Fiscal impact; No Public Benefit Recipient.)

2/14/03, RECEIVED AND ASSIGNED to Land Use Committee.
3/4/03, TRANSFERRED to Finance and Audits Committee.

Heard in Committee. Speakers: Peter Dailey, Port of San Francisco; John Davey, Port of San Francisco; Taline Sanassarian, Port of San Francisco; Noreen Ambrose, Deputy City Attorney; Joel Robinson, Port of San Francisco; Harvey Rose, Budget Analyst.
3/19/03 Amendment of the Whole bearing same title.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

030267 **[Funding for emergency removal and repair of Drydock #1]**

Supervisor Peskin

Ordinance re-appropriating $2,000,000 of Port surplus capital funding from projects that have been completed, funded by a grant source, or that are low priority to fund contractual obligations for emergency removal and repair of Drydock #1 for the Port or fiscal year 2002-03, allowing for retroactivity.

(Fiscal impact.)

2/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Peter Dailey, Port of San Francisco; John Davey, Port of San Francisco; Taline Sanassarian, Port of San Francisco; Noreen Ambrose, Deputy City Attorney; Joel Robinson, Port of San Francisco; Harvey Rose, Budget Analyst.

3/19/03 Amendment of the Whole bearing new title prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance re-appropriating $1,762,549 of Port surplus capital funding from projects that have been completed, funded by a grant source, or that are low priority to fund contractual obligations for emergency removal and repair of Drydock #1 for the Port or fiscal year 2002-03, allowing for retroactivity.

(Fiscal impact.)

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030395 **[Mortgage Credit Certificates]**

Supervisors Peskin, Sandoval

Resolution authorizing an application to the California Debt Limit Allocation Committee to permit the issuance of Mortgage Credit Certificates.

3/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Maggie Davis, Mayor's Office of Housing; Harvey Rose, Budget Analyst; Brad Stam, SF Unified School District.

Supervisor Sandoval requested to be added as co-sponsor.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

021876 **[Real Property Lease Option]**

Resolution authorizing the exercise of an extension option at 875 Stevenson Street for various City departments. (Real Estate Department)

(Fiscal impact; No Public Benefit Recipient.)

11/19/02, RECEIVED AND ASSIGNED to Finance Committee.

12/18/02, CONTINUED. Speakers: None.
Continued to 1/15/03.

1/15/03, CONTINUED. Speakers: None.
Continued to 1/22/03.

1/22/03, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

2/5/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

Heard in Committee. Speakers: Michael Cohen, Deputy City Attorney; Monique Zmuda, Controller's Office.

3/19/03 Amendment of the Whole bearing same title prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

Resolution authorizing the exercise of an extension option at 875 Stevenson Street for various City departments. (Real Estate Department)

(Fiscal impact; No Public Benefit Recipient.)

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030300 **[Certification to Accompany Application for State Grant for Richmond Library Expansion and Renovation]**

Mayor

Resolution certifying project budget, local funding, supplemental funding and public library operations pursuant to the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000. (Mayor)

(No Public Benefit Recipient.)

2/25/03, RECEIVED AND ASSIGNED to Finance and Audits Committee. Sponsor requests this item be scheduled for consideration at the March 19, 2003.

Heard in Committee. Speakers: Susan Hildreth, SF Public Library; Tim Kelley, Landmarks Preservation Advisory Board; Ron Miguel, PAR.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

LITIGATION

Conference with City Attorney

(Convene in Closed Session)

Motion that the Finance and Audits Committee of the Board of Supervisors convene in closed session with the City Attorney, under the provisions of Government Code Section 54956.9 (a) and Administrative Code Section 67.8 (3), for the purpose of conferring with, or receiving advice from, the City Attorney regarding proposed settlements in the lawsuits or claims listed below.

It was decided to Unanimouse vote to convene in closed session.

030251 **[Settlement Prior to Binding Arbitration]**

Ordinance authorizing settlement of a dispute prior to binding arbitration under Section 23 of the Long-Term Power Sales Agreement with Turlock Irrigation District over San Francisco's right to restrict Turlock's ability to schedule monthly capacity factors; Turlock initiated the Section 23 dispute procedure by written notice dated October 10, 2002. (City Attorney)

(No Public Benefit Recipient.)

2/21/03, RECEIVED AND ASSIGNED to Rules Committee.

3/12/03, TRANSFERRED to Finance and Audits Committee.

RECOMMENDED...

Report on Closed Session

Deputy City Attorney John Kennedy reported that the Finance and Audits Committee has met in closed session with the City Attorney, under the provisions of Government Code Section 54956.9 (a) and Administrative Code Section 67.8 (3), for the purpose of conferring with, or receiving advice from, the City Attorney regarding settlements in the lawsuits or claims listed above.

[Elect Not to Disclose]
Motion that the Committee finds that it is in the best interest of the public that the Committee elect at this time not to disclose its closed session deliberations concerning the anticipated litigation listed above.

Unanimous vote not to disclose discussion to the public by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 2:37 p.m.

City and County of San Francisco
REVISED Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA
94102-4689

Wednesday, March 19, 2003 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

REGULAR AGENDA

030301 **[Clerical Corrections to Article 10a of the Bus. & Tax Reg. Code]**

Supervisor Peskin

Ordinance amending Article 10a of the San Francisco Business and Tax Regulations Code by making clerical corrections to Sections 750, 751, 753 and 755.1 and amending Section 10.100-67 of the San Francisco Administrative Code by making clerical corrections to omit text intended to be deleted by Ordinance Number 71-02.

2/25/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Speakers: None.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030243 **[Ratify Port Emergency Repair Contract]**

Resolution ratifying San Francisco Port Commission emergency contract for recovery and repair of marine vessel known as Drydock #1. (Port)

(Fiscal impact; No Public Benefit Recipient.)

2/14/03, RECEIVED AND ASSIGNED to Land Use Committee.

3/4/03, TRANSFERRED to Finance and Audits Committee.

Heard in Committee. Speakers: Peter Dailey, Port of San Francisco; John Davey, Port of San Francisco; Taline Sanassarian, Port of San Francisco; Noreen Ambrose, Deputy City Attorney; Joel Robinson, Port of San Francisco; Harvey Rose, Budget Analyst.

3/19/03 Amendment of the Whole bearing same title.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030267 [Funding for emergency removal and repair of Drydock #1]

Supervisor Peskin

Ordinance re-appropriating $2,000,000 of Port surplus capital funding from projects that have been completed, funded by a grant source, or that are low priority to fund contractual obligations for emergency removal and repair of Drydock #1 for the Port or fiscal year 2002-03, allowing for retroactivity.

(Fiscal impact.)

2/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Peter Dailey, Port of San Francisco; John Davey, Port of San Francisco; Taline Sanassarian, Port of San Francisco; Noreen Ambrose, Deputy City Attorney; Joel Robinson, Port of San Francisco; Harvey Rose, Budget Analyst.

3/19/03 Amendment of the Whole bearing new title prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance re-appropriating $1,762,549 of Port surplus capital funding from projects that have been completed, funded by a grant source, or that are low priority to fund contractual obligations for emergency removal and repair of Drydock #1 for the Port or fiscal year 2002-03, allowing for retroactivity.

(Fiscal impact.)

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030395 [Mortgage Credit Certificates]

Supervisors Peskin, Sandoval

Resolution authorizing an application to the California Debt Limit Allocation Committee to permit the issuance of Mortgage Credit Certificates.

3/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Maggie Davis, Mayor's Office of Housing; Harvey Rose, Budget Analyst; Brad Stam, SF Unified School District.

Supervisor Sandoval requested to be added as co-sponsor.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

021876 [Real Property Lease Option]

Resolution authorizing the exercise of an extension option at 875 Stevenson Street for various City departments. (Real Estate Department)

(Fiscal impact; No Public Benefit Recipient.)

11/19/02, RECEIVED AND ASSIGNED to Finance Committee.

12/18/02, CONTINUED. Speakers: None.
Continued to 1/15/03.

1/15/03, CONTINUED Speakers: None.
Continued to 1/22/03.

1/22/03, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

2/5/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

Heard in Committee. Speakers: Michael Cohen, Deputy City Attorney; Monique Zmuda, Controller's Office.

3/19/03 Amendment of the Whole bearing new title prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution retroactively authorizing the exercise of an extension option at 875 Stevenson Street for various City departments. (Real Estate Department)

(Fiscal impact; No Public Benefit Recipient.)

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030300 [Certification to Accompany Application for State Grant for Richmond Library Expansion and Renovation]

Mayor

Resolution certifying project budget, local funding, supplemental funding and public library operations pursuant to the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000. (Mayor)

(No Public Benefit Recipient.)

2/25/03, RECEIVED AND ASSIGNED to Finance and Audits Committee. Sponsor requests this item be scheduled for consideration at the March 19, 2003.

Heard in Committee. Speakers: Susan Hildreth, SF Public Library; Tim Kelley, Landmarks Preservation Advisory Board; Ron Miguel, PAR.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

LITIGATION

Conference with City Attorney

(Convene in Closed Session)

Motion that the Finance and Audits Committee of the Board of Supervisors convene in closed session with the City Attorney, under the provisions of Government Code Section 54956.9 (a) and Administrative Code Section 67.8 (3), for the purpose of conferring with, or receiving advice from, the City Attorney regarding proposed settlements in the lawsuits or claims listed below.

It was decided to Unanimouse vote to convene in closed session.

030251 [Settlement Prior to Binding Arbitration]

Ordinance authorizing settlement of a dispute prior to binding arbitration under Section 23 of the Long-Term Power Sales Agreement with Turlock Irrigation District over San Francisco's right to restrict Turlock's ability to schedule monthly capacity factors; Turlock initiated the Section 23 dispute procedure by written notice dated October 10, 2002. (City Attorney)

(No Public Benefit Recipient.)

2/21/03, RECEIVED AND ASSIGNED to Rules Committee.

3/12/03, TRANSFERRED to Finance and Audits Committee.

RECOMMENDED...

Report on Closed Session

Deputy City Attorney John Kennedy reported that the Finance and Audits Committee has met in closed session with the City Attorney, under the provisions of Government Code Section 54956.9 (a) and Administrative Code Section 67.8 (3), for the purpose of conferring with, or receiving advice from, the City Attorney regarding settlements in the lawsuits or claims listed above.

[Elect Not to Disclose]
Motion that the Committee finds that it is in the best interest of the public that the Committee elect at this time not to disclose its closed session deliberations concerning the anticipated litigation listed above.

Unanimous vote not to disclose discussion to the public by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 2:37 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

March 13, 2003

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: March 19, 2003 Finance and Audits Committee Meeting

Item 2 - File 03-0243

Department: Port

Item: Resolution ratifying San Francisco Port Commission Emergency Contract with Titan Maritime, LLC, for salvage and recovery operations related to a Port Marine Vessel known as Drydock #1.

Amount: $1,172,000 (see Comment No. 2)

Source of Funds: Reappropriation of existing Port Capital Project funds (see Attachment IV and Item 3, File 03-0267 of this report to the Finance and Audits Committee). According to Mr. John Davey of the Port, the source of funds totaling $2,000,000 would pay for the entire repair cost of Drydock #1, of which $1,213,098 would be used to pay for contractual work performed by Titan Maritime, LLC.

Description: On November 7, 2002, the marine vessel Drydock #1, which is a 654 feet long by 125 feet wide steel drydock owned by the Port, broke loose from 13 moorings at Pier 70 in a gale-force wind storm and went adrift before going aground on Yerba Buena Island. Drydock #1 has been, as stated in Attachment I a "named asset" in the leasehold interest of San Francisco Drydock, a private firm that is

the operator of the Port's ship repair facilities, according to Mr. Davey. Attachment I further explains that Drydock #1 was relocated to Pier 70 in September of 1999. On November 8, 2002, Port divers found that 1) the drydock's port aft section was hard aground on a gravel beach, 2) the drydock's port mid section had been punctured by a rock outcropping, 3) the drydock's port forward section and starboard side was afloat, and 4) 14 of 24 previously dry floatation tanks were taking on water, as explained in Attachment I, provided by Mr. Davey. After an initial investigation and review of Drydock #1 between November 8, 2002 and November 11, 2002 by Port staff and a salvage consultant retained by the Port, the Port's Maritime Director notified the President of the Port Commission that Drydock #1 could sink and posed a potential threat to (a) navigation, (b) the Bay Bridge footings, (c) the BART transbay tunnel, and (d) the habitat and waters of the Bay, and therefore required immediate recovery and repair work.

On November 12, 2002, the President of the Port Commission declared the existence of an emergency condition requiring immediate repairs, to secure the drydock and repair holes in the hull of the drydock to prevent the drydock from sinking. Subsequent to the emergency declaration on November 12, 2002 by the President of the Port Commission, the Port incurred $1,681,549 in costs with various contractors resulting from this emergency, including contract costs of $1,213,098 incurred by Titan Maritime, LLC, which performed salvage and recovery operations. A list of all the contractors and vendors which were retained by the Port, and the amounts incurred by those contractors and vendors, is shown in Attachment II, provided by Mr. Davey. Attachment II also contains additional information on all contractual services including a description of work completed by each contractor. According to Mr. Davey, a contractor will be selected through an invitation for bid or RFP process in September of 2003 to dispose of Drydock #1 (see Comment No. 5). The Port is requesting a supplemental appropriation in the amount of $2,000,000 to fund the total cost of $1,681,549 for the emergency work performed including the costs for this subject emergency contract with Titan

Maritime, LLC in the amount of $1,213,098 (see Item No 3, File 03-0267 of the Budget Analyst's report to the Finance and Audits Committee).

As explained in Attachment III provided by Mr. Davey, the Port conducted expedited bid procedures for the contract for salvage and recovery operations, which was subsequently awarded to Titan Maritime, LLC. Such expedited bid procedures are provided for in Section 6.60 of the Administrative Code, which does not require the Port to advertise Invitations for Bids in a newspaper as is required under formal bidding procedures. As explained in Attachment III, 14 contractors were contacted, and the Port awarded the emergency contract to Titan Maritime, LLC on November 22, 2002 for the salvage and recovery operation of the Port's Drydock #1. Titan Maritime subsequently began work on Drydock #1 on November 24, 2002 and completed work on January 6, 2003. This proposed resolution would ratify the Port's $1,213,098 emergency contract with Titan Maritime, LLC. for the salvage and recovery operation related to Drydock #1.

Budget: Attachment IV contains the general cost categories of the Titan contract totaling $1,213,098 (see Comment No. 2), as well as the funding sources of $2,000,000, which would fund all costs incurred for the salvage and recovery of Drydock #1 including the Titan contract of $1,213,098 (see Item 3, File 03-0267 of the Budget Analyst's report to the Finance and Audits Committee.)

Comments:

1. In accordance with Section 6.60 of the Administrative Code, the Port is required to obtain Board of Supervisors approval for all emergency contracts that exceed $250,000. As noted in Attachment II, none of the applicable contracts, except for the contract with Titan, in the amount of $1,213,098, exceeded the threshold amount of $250,000.

2. The proposed resolution incorrectly states that the total project costs for the emergency contract with Titan Maritime, LLC is $1,172,000. As explained in Attachment V, provided by Mr. Davey, the correct amount of the total costs under the subject emergency contract with Titan Maritime, LLC is $1,213,098.

3. According to Mr. Davey, of the total $1,213,098 in repair cost for Drydock #1, $413,128 has already been paid to Titan Maritime, LLC for services provided, with the remaining $799,970 to be paid by April 14, 2003. As noted in Attachment V, the $1,213,098 of work by Titan Maritime, LLC was completed by January 6, 2003.

4. Although the emergency was declared by the President of the Port Commission on November 12, 2002, and Titan Maritime, LLC began work on November 24, 2002, the emergency contract with Titan Maritime, LLC was not approved by the Port Commission until February 11, 2003. Attachment V provides an explanation as to why the Port Commission did not authorize the contract with Titan Maritime, LLC on a more timely basis. The Budget Analyst notes that, in fact, the Port Commission did not approve the emergency contract until over one month after the work was completed.

5. As stated in Attachment VI, provided by Mr. Davey, the Port decided in 1999 that Drydock #1 "was no longer operable as a drydock". Attachment VI further states that in January of 2001, the Port sold Drydock #1 for $76,000, and then subsequently refunded the $76,000 sales price less dockage fees of $27,000 in July of 2002, after the buyer filed a claim for a refund. On September 28, 2002, the Port received two "negative" bids to dispose of Drydock #1 at a cost to the Port of between $756,000 to $800,000 according to Attachment VI. Attachment VI does not explain why the Port did not accept the low bid to dispose of the Drydock on September 28, 2002. The Port now estimates disposal will cost between an estimated $800,000 to $1,700,000.

Recommendations:

1. In accordance with Comment No. 2, amend the proposed resolution to reflect the correct contract cost of $1,213,098, instead of $1,172,000, which is contained in the resolution.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

PORT OF SAN FRANCISCO

MEMORANDUM
March 10, 2003

To: Mr. Harvey M. Rose, Board of Supervisors Budget Analyst
Cc: Peter Dailey, Director of Maritime
Joel Robinson, Director of Administrative Services
Taline Sanassarian, Manager Governmental Affairs
Noreen Ambrose, City Attorneys Office

From: John Davey, Maritime Deputy Director.

Subject: Port of San Francisco declaration of emergency regarding the November 7, 2002 grounding of Drydock #1 (DD1) at Yerba Buena Island.

Background:

Who owns Drydock #1?
The Port of San Francisco exclusively owns it. DD1 was built in 1942, and became a Port asset in 1987 when its then owner, Todd Shipyard, filed for bankruptcy. DD1 became the Port's property as part of the bankruptcy settlement agreement.

Who has used the Drydock since the Port gained ownership?
San Francisco Drydock (SFD), the operator of the Port's ship repair facilities at Pier 70 took possession of DD1 from the Port in 1987 when they were known as Southwest Marine. It has remained as a named asset in their leasehold to this day however since September of 1999 it has not been located within their premises. In 1999 the Port obtained the surplus Navy drydock Eureka, which took the place of DD1. In September of 1999, DD1 was initially moved to Pier 70 wharf 8 west. In March of 2001, Mirant Potereo Power plant required the use of Pier 70 wharf 8 west for discharge of fuel from barges for their plant therefore DD1 was shifted to Pier 96. In November of 2001 Pier 96 was needed for bulk aggregate shipments therefore DD1 was shifted to Pier 70 wharf 8 east, where it remained, without incident until November 7 2002. During this time period DD1 was twice auctioned, unsuccessfully, as surplus by the City Purchasers office.

While Port staff had some concerns about the structural integrity of Pier 70 wharf 8 east as a berth for DD1; it was the only viable berth available. Therefore staff implemented a 13-point mooring plan that exceeded industry standards and Port Maritime and Maintenance staffs made regular visits to the drydock to monitor its conditions and safe mooring, including the day of November 7 2002.

RT OF SAN FRANCISCO
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What was Insurance coverage for DD1

Review of the lease file and consultation with Errol Fitzpatrick, City Risk Manager, determined that there is no casualty insurance coverage for DD1.

What happened on November 7th at 7:45 PM?

The Weather conditions on the night of November 7th where gale force winds 45-55 mph, with gusts to 65 mph. out of the SW. Coast Guard reporting at this time record a crane barge loose form its moorings in Richmond and two Vessels slipping anchor in anchorage 9 which is off shore of Pier 70. The tide was an extreme low of -1.24 with an ebb current of 5.4 knots. At approx. 7:45 PM these forces caused DD1 to rip out five bollards and cleats from the pier and to part its lines. Once loose from the Pier, DD1 drifted NE into the bay in the direction of the Oakland Bay Bridge and Yerba Buena Island (YBI). Coast Guard requested assistance from tugs in the vicinity and four tugs responded, interceped DD1 and shepherded it on to the SE shore of YBI. Fortunately no injuries, pollution, nor significant damage to property other than DD1 itself was reported.

What were the eminent dangers and resulting determination of emergency?

Port was notified at approx. 8 PM by the Coast Guard of the situation and the Port Maritime and Maintenance staff established a situation command center at Pier 50 and began assessment of the situation. It was determined by staff that damage investigation, stability calculations and salvage planning would require the expertise of a marine surveyor. Mr. A. Waddington, previously know to the Port and SFD, was contacted who referred the Port to Technical Salvage Advisors, Inc, Gary Root. Meanwhile three tugs were hired to remain on site in the event that DD1 where to shift from YBI and to monitor its actions. At 9am November 8th Port maintenance divers boarded DD1 and found that its port aft section was hard aground on a gravel beach and port mid section had been punctured by a rock outcropping. The drydocks' port forward section and starboard side were afloat. 14 of its 24 floatation tanks contained water which where measured and recorded, these tanks had been dry prior to the incident. After this initial investigation and review by Port staff and Mr.Root, the following danger and risk scenarios where developed and considered.

1) During high tides DD1 could refloat and sink in deeper water.
2) Tanks would continue to take on water causing it to sink fully to the bay bottom, flooding main deck and creating a complicated underwater salvage operation, which could easily quadruple the cost.
3) Ground force and free floating action movement would conspire to torque and break up DD1 and sink.
4) Proximity of DD1 to YBI Coast Guard Station, Bay Bridge and Bart tube created potential for additional damage and disruption.
5) What where the potential environmental damages to habitat and the waters of the Bay.

To address these scenarios, immediate action was required to assess conditions creating these risks and dangers and the following actions were taken to mitigate. Continued high tides and storm predictions added to this urgency.

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1) One tug was ordered to remain on station until anchors and moorings could be set to prevent shift from location.
2) Pumps would be deployed to de-water tanks to arrest flooding and stabilize main deck above water.
3) Moorings and pumps would be coordinated to minimize movement and stress fracturing.
4)Survey and soundings of area to include Bart tube were ordered to determine distance and slope from DD1 to Bart tube. It was found that DD1 was within 480 ft. of the submerged Bart tube
5) A review of the design drawings and operation manuals for DD1 to determine hazardous materials and residual petroleum products.
6) Develop plan to extract from YBI and return to safe harbor ASAP.

A preliminary cost projection of these actions was set at $3-4 mil. The costs incurred by 11/9 where already closing on the $250k threshold for notification to the City Controller of emergency expenditures. Therefore on 11/12 Michael Hardeman, President of the Port Commission, by letter, notified Ed Harrington, City Controller, of the declaration of emergency and action to rectify the November 7 incident with DD1.

In the days between November 9 and November 13th the following situations transpired. Continual monitoring and inspections found progressive flooding due the tides and interior damages. DD1 was sinking and stress fractures were proliferating. Given the main deck and walls contained numerous existing holes, all efforts were being made to keep these above water and prevent rapid sinking. However the Port was only able slow not stabilize this situation. DD1 continued to progressively take on water ahead of the pump assets the Port was able to deploy and monitor. The underwater and confined tank space diving inspections to determine the extent of damage and patch repair exceeded the capabilities and staff size of the Port Diving crew. The under water repairs to limit flooding from the bay and between the tanks demanded equipment and materials the Port did not have in its inventory. The naval engineering and stability calculation expertise and coordination to develop a salvage-recovery plan was not within the expertise of the Port Engineering Department.

On November 13th a meeting with the Coast Guard and Port staff reviewed the situation and generated a recommendation to the Port Executive Director of the necessity and urgency to contract with a salvage company with the experience, equipment and command to solve the salvage plan for DD1.

By separate memo I will outline the methods, companies and their responses involved in the selection of a Salvage Contractor.

PORT of SAN FRANCISCO

MEMORANDUM
March 11, 2003

To: Mr. Harvey M. Rose, Board of Supervisors Budget Analyst
Cc: Peter Dailey, Director of Maritime
Joel Robinson, Director of Administrative Services
Taline Sanassarian, Manager Governmental Affairs
Noreen Ambrose, City Attorneys Office

From: John Davey, Maritime Deputy Director.

Subject: Drydock #1 (DD1) emergency, contractor cost and explanation.

The following is a list of all contractors and vendors who supplied services or materials relating to the emergency response, recovery and repair of DD1. The time period reflected is from the 11/7/02 date of incident through the 1/6/03 date when all of Titan Maritime's equipment was returned to their yard and DD1 was moored idle and safe at San Francisco Drydocks' Pier 4. Following the list is a narrative outlining the justification for each expenditure and the contractual relationship between Port and contractor.

	Amount	Vendor	Service Provided	Invoice #	Invoice Date
A	$ 73,907.44	Brusco Tug & Barge	Tug-emergency response	28746	11/12/02
A	$ 22,004.37	Foss Maritime	Tug-emergency response	169688-0-0-0	12/31/02
A	$ 4,800.00	SeaRiver	Tug-emergency response	A21227011	12/27/02
B	$ 59,981.25	Westar	Tugs & crew boat	45483	11/21/02
B	$ 1,075.00	Westar	Tugs & crew boat	45581	11/26/02
C	$ 22,000.00	Dutra Dredging Company	set anchors & soundings	7705-100-13	11/22/02
C	$ 10,000.00	Dutra Dredging Company	retrieve anchors	7705-100-17	1/20/03
D	$ 2,559.20	J. Arthur Waddington	Technical Consulting	0042	12/31/02
D	$ 13,100.00	Technical Salvage Advisors, Inc.	Technical Consulting	02-114	11/25/02
D	$ 5,500.00	Technical Salvage Advisors, Inc.	Technical Consulting	02-231	12/9/02
D	$ 7,700.00	Technical Salvage Advisors, Inc.	Technical Consulting	03-111	2/10/03
E	$ 737.00	Carmanah Technologies	safety lights	27532	11/19/02
E	$ 298.94	West Coast Contractors Services	pump equipment	30610	11/21/02

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E	$	2,306.71	West Coast Contractors Services	pumps-rental	30611	11/22/02
E	$	1,030.75	Carpenter	rigging- mooring lines	32038-01	12/10/02
E	$	73.67	BPS	DD1 drawings reproduction	SI-89118	11/26/02
E	$	541.12	Allied Packing & Supply	hull patching materials	79302,03,04	1/31/03-2/6/03
	$	227,615.45	total vendor cost			
F	$	240,835.00	SF Drydock, Inc	repair in dry dock	3250-01	1/17/03
G	$	246,119.05	Titan Maritime, LLC	recovery & repairs	transmittal	12/13/02
G	$	167,008.50	Titan Maritime, LLC	recovery & repairs	transmittal	12/31/02
G	$	323,002.58	Titan Maritime, LLC	recovery & repairs	transmittal	12/31/02
G	$	426,784.76	Titan Maritime, LLC	recovery & repairs	transmittal	1/15/03
G	$	49,171.79	Titan Maritime, LLC	recovery & repairs	transmittal	2/18/03
G	$	1,011.45	Titan Maritime, LLC	Interest on balance over 30 days		
		$1,213,098.13	total Titan contract cost			
		$1,681,548.58	total emergency response cost			

A) These expenditures where for tugs that responded to the U.S. Coast Guards request for emergency response on the night of 11/7 through 11/9/02, when they were relieved by Westar tug ordered by the Port. The variances in charges relate to the number of tugs deployed and duration on site. The Port did not have an existing contract in place for these companies.

B) Westar was hired by the Port on 11/9/02 through 11/17/02 to provide a tug on site to monitor DD1's condition. On 11/17 anchors and mooring lines were set with U.S. Coast Guard approval and the tug was released. During this period Westar also provided a crew boat to taxi staff to/from DD1 and the Port Pier 50. Westar has an existing City Purchasing Office approved Port contract to provide such services.

C) Dutra Dredging Company was hired to set and rig anchors to moor DD1 at YBI to prevent it from shifting and recover the anchors once DD1 was extracted from YBI. They also performed soundings of the surrounding area to establish the water depths, bottom contours and location of the Bart tube. Dutra was selected sole source because they have an existing contract with the Port for dredging, which includes conducting soundings and it was known that they had the anchors, equipment and expertise to set them.

D) Mr. Waddington is a marine surveyor that responded the night of 11/7 to advise Port staff on situation assessment, actions to be taken and develop recovery scenarios. Mr. Waddington was selected because he was well aquatinted with DD1 having provided marine surveyor services to San Francisco Drydock. However Mr. Waddington had previous contractual commitments beginning on 11/8 and so he

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referred the Port to Mr. Gary Root, Technical Salvage Advisors, Inc. Mr. Root provided ongoing salvage and recovery advice to Port staff including review of DD1 drawings, site assessment, stability calculations, projection of various risk scenarios and mitigation and review of Titan Maritime's salvage plan as presented to the Coast Guard on 12/5/02. He also provided marine architectural drawings and procedures for the separation of the pontoon sections from the main deck. The Port does not have an existing contract for a marine surveyor. The selection of these contractors was sole source and based on the emergency need for their services and their availability to respond.

E) The following vendors supplied equipment and services as described and have existing City Purchasing Office approved Port contracts.

F) San Francisco Dry Dock (SFDD) and the Port entered into a contract dated 12/20/02 with an estimated cost of $500,000 to dry dock DD1 to assess damages, conduct repairs to make hull watertight, and remove exterior obstructions and pontoons to configure for transport to China. The actual costs billed, below the estimated cost, were due Port decision not to remove pontoon sections as a required repair and postpone disposal in China. This work was carried out from 12/22 to 1/3/03. SFDD operates the only dry dock capable of lifting DD1 and is a Port tenant.

G) On 11/22/02 The Port entered into a contract (issued 12/4/02) with Titan Maritime, LLC. Titan provided salvage and recovery operations from 11/24 to 1/6/03. During this period their insurance coverage and expertise provided the Port protection from additional costs and liabilities due to sinking and related damages. From 12/8 recovery from YBI until 12/22 shift into SFDD, they continued to patch the hull, monitor tank pumping, kept DD1 stable and provided tow master services until it could be moved into drydock. There was not a set budget for the Titan contract other than the estimates from Titan in their proposal. Contract provisions were that the Port had daily review of the cost incurred to date, and could terminate the job upon written notice. The scope of the repairs was unknown at the onset of the contract. This was not a typical construction contract where the Port had an established budget amount, rather the Port had a goal of extracting DD1 from YBI and minimize or eliminate further damage and cost exposures. The Port chose to not pursue Titan's disposal plan in China due to additional costs and contractual arrangements required that would be best addressed in a separate competitive bid process. See memo to City Budget Analyist office, dated 3/10/03, subject: Selection process for salvage companies for DD1, for detail on how Titan Maritime, LLC was selected to provide their services.

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MEMORANDUM
March 10, 2003

To: Mr. Harvey M. Rose, Board of Supervisors Budget Analyst
Cc: Peter Dailey, Director of Maritime
Joel Robinson, Director of Administrative Services
Taline Sanassarian, Manager Governmental Affairs
Noreen Ambrose, City Attorneys Office

From: John Davey, Maritime Deputy Director.

Subject: Selection process for salvage companies for Drydock #1 (DD1)

Find attached a copy of the request for bid proposal that was emailed on 11/14 to companies for the salvage of DD1.

This notice was sent to 14 companies (list attached). This list was generated by including those companies who had contacted the Port after 11/7 regarding same, companies referred to us by Mr. Root of Technical Salvage Advisors, San Francisco Dry Dock, and from an Internet search of the Salvage Association web site.

Subsequently the Port followed up with phone calls to insure receipt of the above, ascertain their interest and made arrangements for meetings. The following email was sent out 11/19 to all interested parties providing guidelines for proposals and the following appointment schedule:

"To Whom It May Concern:

In order for your meeting with the Port to be substantive and pro-active, the Port has compiled the list of discussion points listed below. This will help the Port to evaluate your company's approach to this project and establish guidelines for selection and contact negotiations. The Port seeks a comprehensive proposal to remove, demolish, and dispose of DD1 from Yerba Buena Island (YBI) and leave the future clear of Port responsibility for DD1. The following points are not exhaustive on this topic, and the Port is open to your additional comments and ideas. Note: Coast Guard approval required for any action plan.

Removal:
1. How does your company propose to extract/refloat the DD1 from YBI?
2. Do you propose to extract DD1 in whole or in part from YBI?
3. Do you propose to remove DD1 in sections from YBI, and with what guarantee of complete removal?
4. Do you intend to contract and manage tug, barge, and pilots for job?
5. What is estimated time for completion of removal?

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Wednesday, Nov. 21, 2002
10 AM Cal Equipment, Curt Lind
11 AM Pan-Marine Constructors, Fred Johnson
1 PM Marine Survey & Management, Gary Whitney
2 PM Dutra Group, Will Wallgren (includes Manson & Zaccor)
3 PM Titan Maritime, Rich Habib (includes Crowley)

Thursday, Nov. 22, 2002
10 AM TBA
11 AM TBA
1 PM TBA
2 PM Resolve Marine Group, Joe Farrell
3 PM Fred Devine, Mick Leitz

Open slots Thursday may be filled by Frank Igaz, Marcom Portland, and Wespac Engineering. "

Subsequently the meetings where held and the following responses where received.

1) Cal Equipment: cost estimate ranged from $2.5 million to $3.8 million. This company was a single individual offering his services as a consultant /contractor. His company had limited equipment assets and no resume of previous salvage projects. He proposed refloating DD1 on a "bubble' requiring repair to make the main deck and tanks air tight. He estimated it would take 2-3 months to remove from YBI. He proposed the Port secure use of Hunters Point shipyard for his disposal work. His proposal did not provide for insurance coverage.

2) Pan-Marine called the morning of the meeting and said they would not be submitting a proposal

3) Marine Survey & Management: Cost estimate for removal from YBI was $719,356.00. and they would dispose of DD1 by repairing and retro fitting at Hunter Point Shipyard as a barge to carry scrap cranes to China or India all at his cost. This company was a single individual offering his services as a consultant /contractor. He did not provide a resume of previous salvage projects. He estimated that removal of dry dock from YBI could be accomplished by January 3 2003. His proposal did not include insurance coverage.

4) Dutra/Manson/Zaccor: No proposal was not submitted nor cost estimate provided at initial meeting. They outlined they were considering cutting up at YBI and off loading at a Port Pier to be trucked off to salvage yard but they could consider a removal option. They agreed to return the following day with a written proposal outline and cost estimate.

5) Titan Maritime: They proposed a daily cost estimate of $20,000 per day and 20 days to complete or $400,000 to refloat/remove from YBI to Port Pier/safe harbor for disposal by a contractor of our choice or continued care and custody once at safe harbor at the daily rate until it could be loaded on a barge- heavy lift ship for transport to China for disposal. This disposal option was estimated at $1.2 to $1.7 mil in addition to removal costs. Their salvage master had inspected the site for the previous two days and demonstrated specific knowledge of the damaged tanks, grounding action and had developed CAD drawings using a laptop computer outlining the stability profile and the number and position of tanks that would required repair to refloat. They provided an resume of successful salvage/recovery projects that included 9 in 2002 and 26 since Jan 2000, Including letter of recommendation from the USCG Captain of the Port, SF on the successful removal of 85,000 gals fuel oil from the SS Jacob Luckenbach off the San Mateo coast. They provided a certificate of insurance naming the Port of S.F as additional insured with coverage for protection and liability, salvors, pollution, general liability, hull and machinery, 1st and 2nd umbrella liability of $5mil. The also provided a draft contract for their services as out lined in their proposal.

6) Resolve Marine: They proposed $485,000 lump sum to refloat/remove from YBI to Port designated location for disposal by a contractor to be determined. They indicated that they were working on a disposal proposal but it was not complete at the time. They estimated it would take 10 to 14 days to remove. They provided a brochure that broadly outlined their company and past experience. Their salvage master had visited the site in the initial days of the grounding. They provided a certificate of insurance naming the Port as additional insured with coverage for general liability and umbrella coverage of $5mil. The also provided a draft contract for their services as out lined in their proposal.

7) Wespac: Their proposal was only for disposal of DD1 once it was removed from YBI to the Port by Port provided contractor. They would not be responsible for disposal of hazardous materials. They could not provide information on how they would prevent DD1 from sinking while they cut it up in the water. No cost estimates were provided.

8) Fred Divine Salvors: They were accompanied by Dutra and Zaccor who proposed a $125,000 Mobilization fee, $60,000 daily rate for estimated 10-day refloat/removal from YBI to Port Pier. and $850,000 completion cost. for an estimated total of $1,575,000. It was unclear and they would not committ, if they would endeavor to dispose of DD1 once at Port location. They would not provide any insurance coverage and wanted to the Port to accept all liability for pollution, hazardous materials and agree to additional payment should their refloat/recovery plan extend beyond the estimated ten days.

Each of the interviews were attended by myself, Tom Trimbur of Port Engineering and Guadalupe Thomas of Port Maintenance.

After review of the above the leading candidates based on completeness of proposal, expertise, references, ability to provide insurance and cost were Resolve Marine and Titan Maritime. It was frankly a difficult decision between these two. However the consensus of Port Staff was that Titan had demonstrated a more complete proposal for their refloating plan, they had a disposal plan option, their insurance coverage was more

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comprehensive and they had the recommendation of the local Coast Guard office who would have final approval of the salvage plan.

On 11/22 the Port notified Titan Maritime that the Port had selected them to contract for the recovery and disposal of the DD1.

Attachments:2 pages

No.	Company	Contact Name	Phone	E-mail
1	Cal Equipment	Curt Lind	415-531-8546	curt@calequipment.com,
2	Crowley Marine Services, Inc.	Paul Nave	206-332-8077	paul.nave@crowley.com,
3	Dutra Group	Will Wallgren	510-703-4554	hstewart@dutragroup.com, wwallgren@dutragroup.com,
4	Frank Igaz Co.	Mr. Frank Igaz, President	805-444-3822 (Mobile)	igaz@msn.com,
5	Fred Devine Diving and Salvage Company	Mick Leitz, Salvage Master	503-283-5285 (24 Hour)	devinesalv@cs.com,
6	Manson	Charlie Gibson	415-279-2792	cgibson@mansonconstruction.com,
7	Marcom Portland	Liviu Nitu	503-793-6274	liviu@marcomship.com,
8	Marine Survey & Management Co.	Gary Whitney	707-696-1121	marinesmc@hotmail.com,
9	Resolve Marine Group	Joe Farrell, President	954-410-4536 (Mobile)	jfarrell@resolvemarine.com,
10	San Francisco Drydock	Carl Hanson	415-861-7447 x-200	hansonc@sfdrydock.com,
11	Titan Maritime, LLC	Mr.Richard Fairbanks, President	954-609-1431 (Mobile)	df@titansalvage.com,rh@titansalvage.com,
12	Zaccor	Gary Zaccor	510-522-6210	zaccor1@aol.com,
13	Pan-Marine Constructors, Inc.	Fred Johnson	415-989-0280	fjpanmarine@aol.com,
14	Wespac Engineering	Jeff Varnell	650-222-3412	Jeff_Varnell_Wespac@650-562-0491@PORTFAX

TITAN CONTRACT COST BREAKDOWN

		Titan		Third Party				
				Local		Air/		Equipment
TIME PERIOD	ACTIVITIES	Personnel	Equipment	Dive Crews	Tugs	Air Freight	Lodging	Mat./Other
11-24 to 12-8	Assessment, stabiliztion repairs, salvage plan	139,482	139,133	77,757	0	30,952	16,364	61,282
12-8	Move from TI	11,402	13,828	0	26,868	357	1,091	46
12-9 to 12-22	Custody, hardening repairs, monitor, move	131,277	178,722	81,535	16,558	1,231	12,646	87,481
12-23 to Current	Demobilization	5,673	155,655	0	0	1,854	0	21,904
	Totals	**287,834**	**487,338**	**159,292**	**43,426**	**34,394**	**30,101**	**170,713**
	GRAND TOTAL	**1,213,098**						

1. Initial assessment of Drydock No. 1; performing initial repairs to enable flotation of the drydock; pumping and monitoring; preparing salvage plan;

2. Pumping of Drydock No. 1 to float it off Yerba Buena Island; assessing initial float to ensure safe passage to Pier 96; implementation of removal plan;

3. Maintaining custody responsibility for drydock; monitoring drydock; hardening (making more permanent) of repairs previously made; planning,

4. Transportation of equipment back to Titan yard; return airfare of Titan personnel.

SOURCES OF FUNDS

Reappropriation from Completed Projects	
Mid Embarcadero Stormwater Project	150,000
China Basin Ferry Terminal Project	150,000
Ferry Building Asbestos Removal	106,146
Downtown Ferry Terminal Improvements	313,566
Pier 43 Arch	47,838
Subtotal	767,550
Reappropriation from Grant-Funded Project	
Pier 94 Wetlands Mitigation	250,000
Reappropriation from Deferred Projects	
Pier 31, et al, Parapet Flashing Roof Repairs	50,000
Crane Relocation Pier 94-96 to Pier 80	932,450
Subtotal	982,450
Total Repair Project	**2,000,000**

PORT OF SAN FRANCISCO

MEMORANDUM
March 10, 2003

To: Mr. Harvey M. Rose, Board of Supervisors Budget Analyst
Cc: Peter Dailey, Director of Maritime
Joel Robinson, Director of Administrative Services
Taline Sanassarian, Manager Governmental Affairs
Noreen Ambrose, City Attorneys Office

Subject: Titan contracts cost differences and Port Commission approvals.

The amount of $1,172,000 reflected in the Board Resolution for Titan contract ratification was the known invoiced amount upon the 2/4/03 composition of Port Commission resolution 03-11 which was subsequently approved on 2/11/02. This amount was reflected in the Board Resolution based upon advice of the City attorneys office reasoning that the Port Commission approved amount should equal the amount requested from the Board. Subsequent to the 2/4 Port Commission resolution, on 2/18/02, an additional invoice was received from Titan, which reflected invoices they had received from third party vendors they utilized. Upon review, the Port found these charges consistent with our contract and due. This additional invoice raised the total amount for the Titan contact to $1,213,098.13 ,which was the amount included in the supplemental budget request submitted to the Board.

All activity under the Titan Maritime, LLC contract with the Port was completed on 1/6/03.

The Port Commission did not ratify the Titan Maritime, LLC contract at the time the contract was entered into on 12/4/02 due to administrative delays in December which prevented the Port Commission from hearing the resolution on the 12/17/02 meeting. As work was completed on 1/6/03 and actual billings were being received and reviewed, the determination was to put the contract ratification before the Commission as soon as actual contract costs were known. Staff chose to submit the resolution on 2/4/03 for the 2/11/03 Port Commission meeting. Port Commission recognizes the authority of the President of the Commission to declare an emergency and enter into necessary contracts. The Port staff was in regular communication with the Commission President concerning the progress of the recovery efforts and related contracting. The Commission approved the ratification of the Titan contract on 2/11/03 with the caveat that the final costs were still being ascertained and reviewed. Port Staff agreed to return to the commission when the final contract amount was determined. This matter will be on the calendar for final Commission action on March 25,2003.

PORT OF SAN FRANCISCO

MEMORANDUM
March 3 2003

To: Mr. Harvey M. Rose, Board of Supervisors Budget Analyst
Cc: Peter Dailey, Director of Maritime
Joel Robinson, Director of Administrative Services
Taline Sanassarian, Manager Governmental Affairs
Noreen Ambrose, City Attorneys Office

From: John Davey, Maritime Deputy Director.

Subject: 1) Market Value of Drydock#1. 2) History of disposal actions. 3) Board approval of disposal contract.

1) On 9/28/02 in response to an auction held by Nationwide Auction systems the Port received two "negative" bids, where the respondents proposed the Port pay $756,000 and $800,000 respectively and bear additional nondetermined costs for disposing of DD1. The Port has since 9/99 made numerous queris to SF Bay based scrap metal companies regarding scraping DD1and the unanimous response has been the cost of the labor, equipment , permits and transport required to scrap, exceed the scrap value. Since the 11/7/02 incident, the Port has received several unsolicited, open ended proposals for the disposal of the dry dock that range from $800,000 to $2,300,000 . Therefore, based on this information, the Port places the market value of DD1 at zero and contends that it will cost an estimated $800,000 to $1,700,000 to dispose of DD1.

2) With the acquisition of the Drydock Steadfast (renamed the Eureka) in 9/99 the issue of the disposition of DD1 came into consideration. DD1 was no longer operable as a drydock and it location at San Francisco Drydock was required for the Steadfast. On 12/14/00 the Port submitted a surplus turn in request to the City Purchasing Office Requesting it be placed for auction. The conditions of the auction were "as is, where is" and that it must be removed from the Port within 30 days of purchase.

On 1/13/01 A Mr. R.Cort purchased DD1 for $76,000. Mr Cort's concept for use of DD1 was to convert it into a floating music rehearsal space and moor it at Pier 70 wharf 8. By 4/01 Mr. Cort found that his concept was not feasible and indicated that he wanted his money back. During this period Mr. Cort had not taken any action to take custody and care of DD1 nor had paid any of his dockage due. On 6/22/01 Mr. Cort filed a claim for refund of his purchase price plus damages. In October 2001 the Port represented by the City Attorneys office entered into mediation with Mr. Cort and his attorneys. This action was taken by the Port with the understanding that Mr. Cort had demonstrated he was not a responsible owner and the entering into litigation would only extend the period that custody of DD1 was in contention. On 4/10/02 a mutual release and

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settlement agreement was drafted whereby Mr. Cort was refunded his $76,000 purchase price less $27,001 for dockage due for a total refund of $49,000. Extenuating circumstances involving the refund of sales taxes prolonged the final execution of the Settlement until 7/12/02.

The Port, The City Attorneys Office and the City Purchasing Office then proceeded to craft a new auction disclosure statement and once again advertised DD1 for auction on 9/28/02. The result of this auction has been described above under #1.

Regarding the Titan disposal option in their proposal, their total contract costs and the current disposition and disposal of DD1. In the initial invitation for proposals sent to salvage companies, they were requested to address both the recovery of DD1 from YBI and the disposal of DD1. Titan included in their proposal an outline for a disposal plan that involved loading DD1 on a submersible barge or ship and transporting it to China for scrapping. They estimated this would cost between $1.2 mil and $1.7 mil in addition to the estimated $400,000 cost to recover DD1 from YBI. Once DD1 was up in dry dock and the scope of work, costs and additional contractors required to prepare and transport to China was being formulized, the Port determined the prudent course was to make what repairs were necessary to make DD1 water tight and allow time to initiate a competitive bid process for the disposition-disposal of DD1. Therefore the Titan disposal plan was set aside and is not reflected in the total Titan contract costs invoiced.

The final disposition of DD1 is currently under investigation by Port staff for submittal to the Port Commission. An invitation for bid or RFP process is being drafted. The scope of options to be considered are demolition or partial constructive reuse at a suitable facility within SF Bay, disposal at sea in compliance with U.S. Coast Guard and EPA regulations or the transport to an off shore salvage yard such as China. The scope of work is to include" where is, as is" conditions, proof of compliance with all environmental, Coast Guard and governmental regulations both in the U.S. and abroad and the transfer of title and full liability from the Port to the receiving party. It is estimated this proposal will be budgeted by the Port between $800,000 to $1,500,000 and will take six months to award.

3) It is the Port's understanding based on the prior efforts of disposition, that the c City Purchasing Office has the authority to dispose of the drydock as surplus equipment. Any contracts for professional services for repairing or modifications will be entered into pursuant to City procedures. You asked whether Board approval is required of those contracts and to our knowledge the Boards approval occurs indirectly through the budgeting process and is not required for a specific contract.

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Item 3 - File 03-0267

Department: Port

Item: Ordinance reappropriating $2,000,000 of Port capital expenditures to fund contracts for emergency salvage and recovery operations related to a Port Marine Vessel known as Drydock #1, allowing for retroactivity.

Amount: $2,000,000

Source of Funds: Reappropriation of existing funds in the amount of $2,000,000 previously appropriated by the Board of Supervisors.

Sources of Funds

Reappropriation from Completed Projects	
Mid Embarcadero Stormwater Project	$ 150,000
China Basin Ferry Terminal Project	150,000
Ferry Building Asbestos Removal	106,146
Downtown Ferry Terminal Improvements	313,566
Pier 43 Arch	47,838
Subtotal	$767,550
Reappropriation from Grant-Funded Project	
Pier 94 Wetlands Mitigation	$250,000
Reappropriation from Deferred Projects	
Pier 31, et al, Parapet Flashing Roof Repairs	50,000
Crane Relocation Pier 94-96 to Pier 80	$932,450
Subtotal	$982,450
Total	$2,000,000

Attachment I provided by the Port provides information pertaining to this request, including how the funding sources became available from each of the above capital projects.

Budget: A project budget of $1,681,549 is shown in Attachment II, provided by the Port. Item 2, File 03-0243 of the Budget Analyst's report to the Finance and Audits Committee requests ratification of the Port Commission's Emergency

Contract with Titan Maritime, LLC for salvage and recovery of the Port's marine vessel Drydock #1 in the amount of $1,213,098. Mr. Lawrence Brown of the Port advises that Drydock #1 is a vessel that has not been in operation for approximately three years. As shown in Attachment III, provided by the Port, Mr. John Davey of the Port reports that the Port expects to dispose of Drydock #1, at an estimated cost of between $800,000 to $1,700,000.*

Description: On November 7, 2002 the Port's marine vessel Drydock #1 broke loose from 13 moorings at Pier 70 in a gale-force wind storm and went adrift before going aground on Yerba Buena Island. On November 12, 2002 the President of the Port Commission declared the existence of an emergency condition requiring immediate repairs, in accordance with Section 6.60 of the Administrative Code. As a result of this emergency, the Port reports that it has incurred expenditures totaling $1,681,549 in contract costs as detailed in Attachment II, provided by the Port. This proposed ordinance would authorize the reappropriation of Port funds totaling $2,000,000 to fund such costs incurred as of March 5, 2003 for the salvage and recovery of Drydock #1

Comments: 1. Mr. Brown reports that of the total expenditures of $1,681,549 incurred as of March 5, 2003, $592,108 has already been paid to eight contractors, including $413,128 to Titan Maritime, LLC.

2. When the Budget Analyst requested budget details from the Port for this project, the Port provided a budget totaling $1,681,549, as shown in Attachment II. Only when the Budget Analyst inquired as to why the Port was requesting $2,000,000, when the budget submitted by the Port totaled $1,681,549, did the Port provide additional information as to how the $318,451 difference would be expended. In response to the Budget Analyst inquiries, Mr. Brown then advised the Budget Analyst that the $2,000,000 included $318,451 as a "contingency." In response to further inquiry by the Budget Analyst, the

* Attachment III lists both a $1,500,000 figure and a $1,700,000 figure.

Port provided additional information explaining the details of the $318,451 as noted in Attachment I. However, the details in Attachment I add to $319,000 and not to $318,451. According to Mr. Brown, the Port anticipates incurring dockage fees for approximately nine months at a total estimated cost of $81,000 for docking Drydock #1 at Pier 4 within the drydocking area of the Port. Such fees would be paid to San Francisco Drydock, a private firm which has leased the drydocking area, including Pier 4, from the Port. Attachment I also includes estimated costs of (a) $60,000 for a conditional survey, (b) $40,000 for an environmental survey and (c) $20,000 for environmental hazard testing and remediation. All of this work is to be provided by outside consultants, according to Mr. Brown. However, the costs for these professional services totaling $120,000 are preliminary in nature and the Port has not received any costs estimates from any providers of these professional services. Attachment I also shows that $118,000 in contingency funds would be used for any additional repairs that Drydock #1 may need. However, based on the inquiry of the Budget Analyst, Mr. Brown advises that the Port does not know whether any additional repairs may actually be needed. The Budget Analyst, therefore, recommends at least reserving, if not reducing, this request by $237,451, consisting of the total request of $2,000,000 less the original budget submitted in Attachment II of $1,681,549 less the dockage fees of $81,000. This would provide the Port with appropriated and unreserved funds of $1,762,549, including the detailed contract costs of $1,681,549 listed in Attachment II and $81,000 in dockage fees, until the Port submits additional budget details to the Finance and Audits Committee for the $237,451, if this additional amount is needed.

3. Attachment III, provided by the Port, explains the current plans for disposal of Drydock #1. In Attachment III, Mr. Davey reports that:

> "The final disposition of DD1 is currently under investigation by Port staff for submittal to the Port Commission. An invitation for bid or RFP process is being

> drafted. The scope of options to be considered are demolition or partial constructive reuse at a suitable facility within SF Bay, disposal at sea in compliance with U.S. Coast Guard and EPA regulations or the transport to an off shore salvage yard such as China. The scope of work is to include 'where is, as is' conditions, proof of compliance with all environmental, Coast Guard and governmental regulations both in the U.S. and abroad and the transfer of title and full liability from the Port to the receiving party. It is estimated this proposal will be budgeted by the Port between $800,000 to $1,500,000 and will take six months to award."

4. As stated in Attachment III, provided by Mr. Davey, the Port decided in 1999 that Drydock #1 "was no longer operable as a drydock". Attachment III further states that in January of 2001, the Port sold Drydock #1 for $76,000, and then subsequently refunded the sales price of $76,000 less dockage fees of $27,000, in July of 2002 after the buyer filed a claim for a refund. On September 28, 2002, the Port received two "negative" bids to dispose of Drydock #1 at a cost to the Port of between $756,000 to $800,000, respectively, according to Attachment III. Attachment III does not explain why the Port did not accept the low bid to dispose of the drydock on September 28, 2002. As previously noted, the Port now estimates disposal costs will range between $800,000 to $1,700,000.

Recommendations:

1. In accordance with Comment No. 5, amend the proposed ordinance to reserve $237,451, including submission of additional budget details to the Finance and Audits Committee.

2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

PORT OF SAN FRANCISCO

MEMORANDUM
March 12, 2003

To: Mr. Harvey M. Rose, Board of Supervisors Budget Analyst
Cc: Peter Dailey, Director of Maritime
Joel Robinson, Director of Administrative Services
Taline Sanassarian, Manager Governmental Affairs
Noreen Ambrose, City Attorneys Office

Subject: Dry Dock Supplemental (Questions by the Budget Analyst).

Below are the written responses to the Budget Analyst questions.

(1)
Question: How were the dockage fee of $300/day determined? SF Dry Dock normal fee? Negotiated? How does the dockage fee compare to market rates?

Answer: SF Dry Dock regularly charges $500 per day for the use of Pier 4 located within their premises. The use of this pier is generally in conjunction with a ship repair project and it use and value relates to the total revenue of a ship repair contract and therefore is not directly comparable to what the Port charges for dockage. Per the Port Tariff, based on the length of the Dry Dock, the Port charges would be $1118 per day. The Port negotiated with SF Dry Dock a reduction to $300 per day.

(2)
Question: How many contracts were signed for the Dry Dock emergency episode?

Answer: Two (2)

(3)
Question: Why did you pay for the emergency contract before you get Board's approval?

Answer: The Port made payments under the emergency contracts under Administrative Code Section 6.60, which states that "in an actual emergency. . . ,the repair, reconditioning or other work or contract necessitated by the emergency may be executed by the department head . . . in the most expeditious manner, in accordance with the procedures set forth below." (Section 6.60(B).)

After the drydock broke loose in the storm of November 7, 2002, the Port Commission President, Michael Hardeman notified the Controller that an actual emergency existed. The Commission President gave notice that the Port was developing removal and salvage options, and referred to the need for emergency work under Section 6.60 of the Administrative Code. When it became apparent

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that the estimated cost of removal and salvage would exceed $250,000, the Port Commission President then notified the Controller that the Port intended to enter into a contract with Titan Maritime for removal and salvage operations.

In making payments to contractors for the initial recovery efforts, the Port believes it was operating within the parameters of Section 6.60. That Section authorizes the department to "proceed with work without additional approvals" if the work does not exceed $250,000. In cases where the cost of emergency work exceeds $250,000, the department shall obtain approval of the president of the Commission and the Board of Supervisors, but if the emergency does not permit the required approvals to be obtained before the work is commenced or contract entered into, such approvals shall be obtained as soon as possible thereafter.

In the case of the drydock, the Port had approval of the president of the Port Commission to "proceed with the work" and to enter into the emergency contracts, and the Port sought approval of the Board once the final costs became known. The Port interprets Section 6.60 of the Administrative Code to allow a department head to enter into and to "proceed with work" (meaning, make payments for work) necessitated by an actual emergency upon notification to the Controller, and subsequent approval by the Board. Having satisfied the requirements of Section 6.60 to "execute a contract" and "proceed with work" under an emergency declaration, the Port is unaware of any additional requirement to obtain approvals for making payments for such emergency work.

(4)
Question: How did you choose which vendor to be paid(s)?

Answer: The vendors were paid in the order that the bills were received.

(5)
Question: Why does the Port have to pay dockage fees to San Francisco Dry Dock? Normally the Port collects dockage fees?

Answer: SF Dry Dock leases Pier 4, the location of DD1, as a part of their premises from the Port. Therefore in recognition of the loss of revenue to SF Dry Dock for the use of the Pier, their management cost to provide 24-hr. watch, gangways and crane services, the Port agreed to pay for dockage.

(6)
Question: The breakdown for the contingency?

Answer: Funding for the supplemental appropriation in the amount of $2,000,000 will come from a re-allocation of existing Port capital project account funds as follows:

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Project No.	Project	Original Appropriation	Amount to be Re-appropriated	Comment
CPO714	Mid Embarcadero Stormwater Project	$150,000	$150,000	Surplus funds. Estimated Port contribution to Mid Embarcadero Roadway project to fill funding gap. DPW completed project without using Port funds.
CPO684	China Basin Ferry Terminal	$552,050	$150,000	Surplus funds. Project complete.
CPO215	Ferry Building Asbestos Removal	$106,146	$106,146	Surplus funds. Carryforward and transfer from GPO21 (an annually appropriated project for the same purpose) in 2000. Purpose of project was to fund asbestos removal required because of tenant improvement work resulting from tenancy changes. No asbestos removal work in the Ferry Building was required after the transfer of these funds to a CPO project due to the turnover of the building to a developer in April of 2001.
CPO670 -01 & 02	Downtown Ferry Terminal Improvements	$1,278,772	$313,566	Surplus funds. Project complete.
CPO686	Pier 43 Arch	$100,000	$47,838	Surplus funds. Supplemental funding for Pier 43 Arch fire related repairs. Repairs were mostly funded from insurance proceeds. Project complete.
CPO738	Pier 94 Wetlands	$300,000	$250,000	Grant funding for a portion of the project scope. Projec funding was for planning and improvements. Planning work was completed through staff work under operating budget, except for $50,000 to remain in the project to complete the effort. There is now a grant for construction of the improvements.
CPO676	Pier 3, et al, Parapet Flashing	$50,000	$50,000	Project deferred. Associated with roof repairs to be completed as part of development projects, or funded through a future capital appropriation for roof repair.
CPO737	Crane Relocation Pier 94-96 to Pier 80	$3,700,000	$932,450	Project deferred. Port Commission has determined that there is sufficient capacity with the existing cranes at Pier 80.

(7)
Question: Funding for the Supplemental Appropriation?

Answer: Breakdown of the contingency. The request for authorization of a supplemental appropriation of $2,000,000 includes a contingency of approximately $319,000. A breakdown of this contingency is provided below:

Item	Amount

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Berthing and Dockage Fees (9 mos. at approx. $9K/mo.)	$81,000
Condition Survey costs.	$60,000
Environmental Survey costs.	$40,000
Environmental Hazard Testing and Remediation	$20,000
Additional Repirs to Drydock # 1 (if required)	$118,000

PORT OF SAN FRANCISCO

MEMORANDUM
March 11, 2003

To: Mr. Harvey M. Rose, Board of Supervisors Budget Analyst
Cc: Peter Dailey, Director of Maritime
Joel Robinson, Director of Administrative Services
Taline Sanassarian, Manager Governmental Affairs
Noreen Ambrose, City Attorneys Office

From: John Davey, Maritime Deputy Director.

Subject: Drydock #1 (DD1) emergency, contractor cost and explanation.

The following is a list of all contractors and vendors who supplied services or materials relating to the emergency response, recovery and repair of DD1. The time period reflected is from the 11/7/02 date of incident through the 1/6/03 date when all of Titan Maritime's equipment was returned to their yard and DD1 was moored idle and safe at San Francisco Drydocks' Pier 4. Following the list is a narrative outlining the justification for each expenditure and the contractual relationship between Port and contractor.

	Amount		Vendor	Service Provided	Invoice #	Invoice Date
A	$	73,907.44	Brusco Tug & Barge	Tug-emergency response	28746	11/12/02
A	$	22,004.37	Foss Maritime	Tug-emergency response	169688-0-0-0	12/31/02
A	$	4,800.00	SeaRiver	Tug-emergency response	A21227011	12/27/02
B	$	59,981.25	Westar	Tugs & crew boat	45483	11/21/02
B	$	1,075.00	Westar	Tugs & crew boat	45581	11/26/02
C	$	22,000.00	Dutra Dredging Company	set anchors & soundings	7705-100-13	11/22/02
C	$	10,000.00	Dutra Dredging Company	retrieve anchors	7705-100-17	1/20/03
D	$	2,559.20	J. Arthur Waddington	Technical Consulting	0042	12/31/02
D	$	13,100.00	Technical Salvage Advisors, Inc.	Technical Consulting	02-114	11/25/02
D	$	5,500.00	Technical Salvage Advisors, Inc.	Technical Consulting	02-231	12/9/02
D	$	7,700.00	Technical Salvage Advisors, Inc.	Technical Consulting	03-111	2/10/03
E	$	737.00	Carmanah Technologies	safety lights	27532	11/19/02
E	$	298.94	West Coast Contractors Services	pump equipment	30610	11/21/02

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E	$	2,306.71	West Coast Contractors Services	pumps-rental	30611	11/22/02
E	$	1,030.75	Carpenter	rigging- mooring lines	32038-01	12/10/02
E	$	73.67	BPS	DD1 drawings reproduction	SI-89118	11/26/02
E	$	541.12	Allied Packing & Supply	hull patching materials	79302,03,04	1/31/03-2/6/03
	$	227,615.45	total vendor cost			
F	$	240,835.00	SF Drydock, Inc	repair in dry dock	3250-01	1/17/03
G	$	246,119.05	Titan Maritime, LLC	recovery & repairs	transmittal	12/13/02
G	$	167,008.50	Titan Maritime, LLC	recovery & repairs	transmittal	12/31/02
G	$	323,002.58	Titan Maritime, LLC	recovery & repairs	transmittal	12/31/02
G	$	426,784.76	Titan Maritime, LLC	recovery & repairs	transmittal	1/15/03
G	$	49,171.79	Titan Maritime, LLC	recovery & repairs	transmittal	2/18/03
G	$	1,011.45	Titan Maritime, LLC	Interest on balance over 30 days		
		$1,213,098.13	total Titan contract cost			

$1,681,548.58 total emergency response cost

A) These expenditures where for tugs that responded to the U.S. Coast Guards request for emergency response on the night of 11/7 through 11/9/02, when they were relieved by Westar tug ordered by the Port. The variances in charges relate to the number of tugs deployed and duration on site. The Port did not have an existing contract in place for these companies.

B) Westar was hired by the Port on 11/9/02 through 11/17/02 to provide a tug on site to monitor DD1's condition. On 11/17 anchors and mooring lines were set with U.S. Coast Guard approval and the tug was released. During this period Westar also provided a crew boat to taxi staff to/from DD1 and the Port Pier 50. Westar has an existing City Purchasing Office approved Port contract to provide such services.

C) Dutra Dredging Company was hired to set and rig anchors to moor DD1 at YBI to prevent it from shifting and recover the anchors once DD1 was extracted from YBI. They also performed soundings of the surrounding area to establish the water depths, bottom contours and location of the Bart tube. Dutra has a contract with the Port for dredging, which includes conducting soundings and it was known that they had the anchors, equipment and expertise to set them. To expedite this action and reduce tug cost they were selected without competitive bid.

D) Mr. Waddington is a marine surveyor that responded the night of 11/7 to advise Port staff on situation assessment, actions to be taken and develop recovery scenarios. Mr. Waddington was selected because he was well aquatinted with DD1 having provided marine surveyor services to San Francisco Drydock. However Mr. Waddington had previous contractual commitments beginning on 11/8 and so he

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referred the Port to Mr. Gary Root, Technical Salvage Advisors, Inc. Mr. Root provided ongoing salvage and recovery advice to Port staff including review of DD1 drawings, site assessment, stability calculations, projection of various risk scenarios and mitigation and review of Titan Maritime's salvage plan as presented to the Coast Guard on 12/5/02. He also provided marine architectural drawings and procedures for the separation of the pontoon sections from the main deck. The Port does not have an existing contract for a marine surveyor. The selection of these contractors was based on emergency need for their services and their availability to respond.

E) The following vendors supplied equipment and services as described and have existing City Purchasing Office approved Port contracts.

F) San Francisco Dry Dock (SFDD) and the Port entered into a contract dated 12/20/02 with an estimated cost of $500,000 to dry dock DD1 to assess damages, conduct repairs to make hull watertight, and remove exterior obstructions and pontoons to configure for transport to China. The actual costs billed, below the estimated cost, were due Port decision not to remove pontoon sections as a required repair and postpone disposal in China. This work was carried out from 12/22 to 1/3/03. SFDD operates the only dry dock capable of lifting DD1 and is a Port tenant.

G) On 11/22/02 The Port entered into a contact (issued 12/4/02) with Titan Maritime, LLC. Titan provided salvage and recovery operations from 11/24 to 1/6/03. During this period their insurance coverage and expertise provided the Port protection from additional costs and liabilities due sinking and related damages. From 12/8 recovery from YBI until 12/22 shift into SFDD, they continued to patch the hull, monitor tank pumping, kept DD1 stable and provided tow master services until it could be moved into drydock. The Port chose to not pursue Titan's disposal plan in China due additional costs and contractual arrangements required that would be best addressed in a separate competitive bid process. See memo to City Budget Analyist office, dated 3/10/03, subject: Selection process for salvage companies for DD1, for detail on how Titan Maritime, LLC was selected to provide their services.

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MEMORANDUM
March 13 2003

To: Mr. Harvey M. Rose, Board of Supervisors Budget Analyst
Cc: Peter Dailey, Director of Maritime
Joel Robinson, Director of Administrative Services
Taline Sanassarian, Manager Governmental Affairs
Noreen Ambrose, City Attorneys Office

From: John Davey, Maritime Deputy Director.

Subject: 1) Market Value of Drydock#1. 2) History of disposal actions. 3) Board approval of disposal contract.

1) On 9/28/02 in response to an auction held by Nationwide Auction systems the Port received two "negative" bids, where the respondents proposed the Port pay $756,000 and $800,000 respectively and bear additional nondetermined costs for disposing of DD1. The Port has since 9/99 made numerous queris to SF Bay based scrap metal companies regarding scraping DD1and the unanimous response has been the cost of the labor, equipment , permits and transport required to scrap, exceed the scrap value. Since the 11/7/02 incident, the Port has received several unsolicited, open ended proposals for the disposal of the dry dock that range from $800,000 to $2,300,000 . Therefore, based on this information, the Port places the market value of DD1 at zero and contends that it will cost an estimated $800,000 to $1,700,000 to dispose of DD1.

2) With the acquisition of the Drydock Steadfast (renamed the Eureka) in 9/99 the issue of the disposition of DD1 came into consideration. DD1 was no longer operable as a drydock and it location at San Francisco Drydock was required for the Steadfast.
On 12/14/00 the Port submitted a surplus turn in request to the City Purchasing Office Requesting it be placed for auction. The conditions of the auction were "as is, where is" and that it must be removed from the Port within 30 days of purchase.

On 1/13/01 A Mr. R.Cort purchased DD1 for $76,000. Mr Cort's concept for use of DD1 was to convert it into a floating music rehearsal space and moor it at Pier 70 wharf 8. By 4/01 Mr. Cort found that his concept was not feasible and indicated that he wanted his money back. During this period Mr. Cort had not taken any action to take custody and care of DD1 nor had paid any of his dockage due. On 6/22/01 Mr. Cort filed a claim for refund of his purchase price plus damages. In October 2001 the Port represented by the City Attorneys office entered into mediation with Mr. Cort and his attorneys. This action was taken by the Port with the understanding that Mr. Cort had demonstrated he was not a responsible owner and the entering into litigation would only extend the period that custody of DD1 was in contention. On 4/10/02 a mutual release and

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settlement agreement was drafted whereby Mr. Cort was refunded his $76,000 purchase price less $27,001 for dockage due for a total refund of $49,000. Extenuating circumstances involving the refund of sales taxes prolonged the final execution of the Settlement until 7/12/02.

The Port, The City Attorneys Office and the City Purchasing Office then proceeded to craft a new auction disclosure statement and once again advertised DD1 for auction on 9/28/02. The result of this auction has been described above under #1.

Regarding the Titan disposal option in their proposal, their total contract costs and the current disposition and disposal of DD1. In the initial invitation for proposals sent to salvage companies, they were requested to address both the recovery of DD1 from YBI and the disposal of DD1. Titan included in their proposal an outline for a disposal plan that involved loading DD1 on a submersible barge or ship and transporting it to China for scrapping. They estimated this would cost between $1.2 mil and $1.7 mil in addition to the estimated $400,000 cost to recover DD1 from YBI. Once DD1 was up in dry dock and the scope of work, costs and additional contractors required to prepare and transport to China was being formulized, the Port determined the prudent course was to make what repairs were necessary to make DD1 water tight and allow time to initiate a competitive bid process for the disposition-disposal of DD1. Therefore the Titan disposal plan was set aside and is not reflected in the total Titan contract costs invoiced.

The final disposition of DD1 is currently under investigation by Port staff for submittal to the Port Commission. An invitation for bid or RFP process is being drafted. The scope of options to be considered are demolition or partial constructive reuse at a suitable facility within SF Bay, disposal at sea in compliance with U.S. Coast Guard and EPA regulations or the transport to an off shore salvage yard such as China. The scope of work is to include" where is, as is" conditions, proof of compliance with all environmental, Coast Guard and governmental regulations both in the U.S. and abroad and the transfer of title and full liability from the Port to the receiving party. It is estimated this proposal will be budgeted by the Port between $800,000 to $1,500,000 and will take six months to award.

3) It is the Port's understanding based on the prior efforts of disposition, that the City Purchasing Office has the authority to dispose of the drydock as surplus equipment. Any contracts for professional services for repairing or modifications will be entered into pursuant to City procedures. You asked whether Board approval is required of those contracts and to our knowledge the Boards approval occurs indirectly through the budgeting process and is not required for a specific contract.

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Item 4 – File 03-0395

Department: Mayor's Office of Housing (MOH)

Item: Resolution authorizing an application to the California Debt Limit Allocation Committee (CDLAC) to permit the issuance of Mortgage Credit Certificates.

Amount: Not to exceed $10,000,000

Description: The Mortgage Credit Certificate (MCC) Program is designed to assist first-time home buyers in purchasing a single-family residence in San Francisco. The program is directed toward individuals and families who would not be able to purchase housing without receiving some financial assistance.

The MCC Program, which is a State-authorized program, provides assistance to first-time home buyers by allowing an eligible home purchaser to take an annual credit against Federal income taxes of a percentage of the annual mortgage interest payments on a single family residence or a duplex. The percentage rate is established by the entity administering the program locally (in this case, the MOH), but may not exceed 50 percent of the mortgage interest (see Comment 2). A home buyer who is awarded an MCC is eligible for a tax credit on a portion of the interest paid on the mortgage, and would also be able to deduct the remaining amount of the annual mortgage interest payments as an itemized deduction on the home buyer's Federal income tax return. By reducing the Federal income tax burden, the home buyer is left with increased disposable income with which to cover mortgage payments.

In September of 1993 the Board of Supervisors approved a resolution creating the City's MCC Program. The MOH has been administering the MCC Program since January of 1994, and has issued certificates and reservations[1] for a total of 992 first-time low and moderate income

[1] According to the MOH, "reservations" arise where the MOH has approved an allocation for a Mortgage Credit Certificate, but the Certificate's recipient's mortgage loan has not yet closed escrow. MOH reserves the Mortgage Credit Certificate for the intended recipient until closure of escrow and call this a "reservation."

homebuyers. According to Mr. Joe LaTorre of MOH, to date, MOH has received 13 allocations from the California Debt Limit Allocation Committee (CDLAC), to issue MCCs to 992 first-time buyers for a total mortgage value of $147,500,000 (see Comment 4) and MOH has issued or reserved that total amount.

The proposed resolution would authorize the MOH to submit an application to the CDLAC, the State agency which authorizes the amount of mortgage credit certificates which can be issued by local government agencies, for an additional allocation of not to exceed $10,000,000 in private-activity bond authority and converting that private-activity bond authority into Mortgage Credit Certificates using the Internal Revenue Service's conversion formula, resulting in not to exceed $12,500,000 in Mortgage Credit Certificates. These Mortgage Credit Certificates would be used to assist low- and moderate-income public school teachers, administrators, and other credentialed school staff to become first time homebuyers, as explained in Attachment I, provided by Mr. LaTorre, through the Extra Credit Teacher Home Purchase Program (ECTHPP). In addition, the proposed resolution, in compliance with CDLAC regulations, would authorize (a) the City to place 0.5 percent (one-half of one percent) of the requested allocation on deposit, in an amount not to exceed $50,000, in connection with the submission of the application to the CDLAC, and (b) the Director of the MOH to certify to CDLAC that such funds are available.

Comments:

1. According to Mr. LaTorre, the required $50,000 deposit shall consist of a restriction of cash in the City's Home Ownership Assistance Loan Fund, which is cash accumulated from loan repayments by individuals participating in the City's 1982 First Time Homebuyers Bond Program. Mr. LaTorre states that the above-noted deposit is required by CDLAC to ensure that the State requirements for issuing the Mortgage Credit Certificates are met by the local agency, including the requirement that a Mortgage Credit Certificate be issued to a program recipient within 90 days of receipt of the allocation of Mortgage Credit Certificates from the State.

2. Mr. LaTorre reports that, under the application to be submitted to the CDLAC, and in accordance with Federal Internal Revenue Service (IRS) and CDLAC regulations, the MOH will provide assistance to first-time home buyers by allowing an eligible home purchaser to take an annual tax credit against Federal income taxes of up to 20 percent of the annual mortgage interest payments. This assistance will be targeted for teachers, principals and other credentialed school staff committed to working in low-performing San Francisco's public schools for a minimum of 3 continuous years, (the Extra Credit Teacher Home Purchase Program) as explained in Attachment I, provided by MOH.

3. If CDLAC approves the subject proposed MOH application for $10,000,000, which as previously noted would result in the issuance of $12,500,000 in MCCs, Mr. LaTorre states that the City expects to assist an additional approximately 50 home purchasers based on an average mortgage amount of $250,000.

4. Mr. LaTorre reports that, from 1993 through 2002, the Board of Supervisors has approved resolutions authorizing the MOH to submit applications to the CDLAC, resulting in 13 actual allocations totaling $117,336,187 by the CDLAC. Based on the Internal Revenue Service's conversion formula, this resulted in a total mortgage value of $147,500,000. To date, MOH has issued 992 MCCs to first-time buyers.

5. As shown in Attachment II, provided by MOH, the City's Extra Credit Teacher Home Purchase Program assisted 24 low to moderate income households with a median household income of $60,035 and a median home purchase price of $288,050, from November 29, 2000 through December 31, 2002.

Recommendation: Approve the proposed resolution.

PROGRAM DESCRIPTION
Extra Credit Teacher Home Purchase Program
CITY AND COUNTY OF SAN FRANCISCO

The City and County of San Francisco plans to submit an application to the State of California Debt Limit Allocation Committee (CDLAC) to obtain authority for the issuance of Mortgage Credit Certificates (MCC) to public school teachers, principals and credentialed staff to become first time homebuyers who are currently employed and agree through a written Service Commitment to work in low performing schools in the San Francisco Unified School District for a minimum of 3 years continuous. The program is specifically directed toward households that would not be able to purchase housing without assistance such as an MCC. Participation by current San Francisco residents is encouraged.

If the City receives an allocation from CDLAC to issue MCCs, the program will provide assistance to first-time homebuyers by allowing an eligible purchaser to take up to 20 percent of his or her annual mortgage interest payment as a dollar-for-dollar tax credit against their federal income tax. The MCC will be used to assist the qualifying home buyer in obtaining an effective reduction in monthly mortgage payments. By adjusting the homebuyer's allowance on his or her W-4 to reduce the amount of tax withheld by the employer, the purchaser will have more monthly take-home income available to cover mortgage payments. In addition to the MCC, the City will provide $ 7,500 down payment assistance that is forgiven upon completing the 3-year service commitment.

Eligibility Requirements

In order for a potential home buyer to be eligible for the Extra Credit Home Purchase Program, the following conditions must be met:

Principal Residence: A MCC will only be issued with respect to the acquisition of a single-family residence located in San Francisco. A single-family residence includes a single-unit detached house, townhouse or a condominium or a duplex in which one of the units will become the owner's principal residence. The single-family residence being considered for financing must become the purchaser's permanent, principal residence purchased in connection with the MCC.

First-Time Home Buyer Requirement: Except in Targeted Areas, the prospective certificate holder may not have any "ownership interest" in a principal residence at any time during the 3-years period prior to the date on which the mortgage on the residence purchased in connection with the MCC is made.

Purchase Price Requirements: The maximum purchase price of a house permitted in conjunction with the use of a Mortgage Credit Certificate can not exceed 90% of the average area price in San Francisco PMSA in non-targeted areas, and 110% of the average area purchase price in targeted areas. The current limits for single-family units are:

	Non-Targeted Area	Targeted Area
New units (never previously occupied)	$537,793	$657,303
Existing units (resale)	$554,104	$677,238

1. Income Limits: The maximum income for households interested in utilizing the MCC program cannot exceed **173%** of the median income for the PMSA. The present limits are

Households Size:	non-target area	target area
1 or 2 persons	$ 101,800	$ 122,160
3 or more persons	$ 117,070	$ 142,520

2. New Mortgage Requirement: A MCC will only be issued in connection with a new mortgage. It cannot be used in connection with the acquisition or replacement of an existing mortgage.

Targeted Areas: In San Francisco, targeted areas consist of the following Census Tracts: 107, 113, 114, 115, 117, 118, 124, 125, 161, 231.03, 603, 605.02, 607

For written information about the MCC Program, contact: Mayor's Office of Housing, 25 Van Ness Avenue, Suite 600, San Francisco, CA 94102, call: 554-HOME or fax: 252-3140.

Source : Mayor's Office of Housing

Attachment II

MAYOR'S OFFICE OF HOUSING

CITY AND COUNTY OF SAN FRANCISCO

WILLIE LEWIS BROWN, JR.
MAYOR

Daryl Higashi
DIRECTOR

MORTGAGE CREDIT CERTIFICATE PROGRAM

Statistical Profile For Extra Credit Teacher Home Purchase Program (ECTHPP)
Allocation Year of 2000 (November 29, 2000 through December 31, 2002)

Total number of household assisted:		18	MCCs issued
		6	Commitments issued
	Total:	24	

Median Household Income: $ 60,035 (58 % of San Francisco SMSA median for household of 4 persons; 73% of median for 2 persons household, Year 2000-2002)

Median Purchase Price: $288,050

Median Mortgage Amount: $220,000

Household Size breakdown:	1 person	13	(54%)
	2 persons	4	(17%)
	3 persons	4	(17%)
	4 or more persons	3	(12%)

Ethnic breakdown:	White	10	(42%)
	Asian/Pacific Islander	13	(54%)
	African-American	0	(0%)
	Hispanic	1	(4%)

Supervisor District #:		Total:
1	Richmond	0
2	Cow Hollow, Marina, Pacific Heights	0
3	Chinatown, Nob Hill, Russian,Telegraph Hill, Waterfront	0
4	Sunset	4
5	Duboce Park, Fillmore, Haight, Panhandle & Western Addition	13
6	SOMA, Tenderloin, Treasure Island	3
7	Park Merced, West of Twin Peaks	0
8	Castro, Glen Park, Noe Valley	2
9	Bernal Heights, Mission District	1
10	Bayview, Hunters Point, Potrero, Visitation Valley	0
11	Excelsior & OMI	1

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TDD (415) 252-3107

Item 5 - Files 02-1876

Note: This item was continued by the Finance Committee at its meetings of January 15, 2003 and January 22, 2003. This report reflects an Amendment of the Whole to be submitted by the Real Estate Division to the Finance and Audits Committee at its meeting on March 19, 2003.

Department: Department of Administrative Services, Real Estate Division

Item: Resolution retroactively authorizing the exercise of an extension option at 875 Stevenson Street for various City departments.

Location: 875 Stevenson Street: a portion of the first floor, all of the second, third, fourth and fifth floors, 25 parking spaces, and basement storage space.

Purpose of Lease Extension: Office space in the amount of 158,442 square feet, as detailed in Attachment I to this report, provided by the Real Estate Division, for the following City Departments and functions: Assessor – Payroll; Controller - Payroll and Personnel; Public Administration and Public Guardian –County Veterans Service; Department of Public Works (DPW) - Payroll, Accounting, Streets and Mapping; MUNI - Security, MIS and Payroll; Reproduction and Mail Services; and, PUC Utilities Engineering Bureau, 25 parking spaces and 3,000 square feet of basement storage for the Law Library.

Lessor: Western Mart Co., L.P. (Western Mart)

Lessee: City and County of San Francisco through the Real Estate Division

Term of Lease Extension: Seven and one-half years, commencing retroactively on December 1, 2002 and terminating on May 31, 2010, subject to the City's early termination right at the end of the fifth year (see Comment No. 4).

Termination Options: The City may terminate the lease extension agreement after November 30, 2007, which is the end of the fifth year of the lease extension, or two and one half years prior to the lease termination date of May 31, 2010, if the City meets the following conditions:

- The City must provide twelve (12) months prior written notice to exercise this option (i.e., by November 30, 2006);
- The City must be relocating into a building purchased or constructed by or for the City. The City may not exercise this early termination right to relocate into other privately owned leased space; and
- The City must pay Western Mart $850,000 to execute this early termination option (see Comment No. 4).

Additional Right of Renewal: None.

Monthly and Annual Rent Payable by the City to Western Mart:

Year	Approximate monthly rent per square foot	Annual rent per square foot	Monthly Rent	Annual Rent
1. December 1, 2002 – November 30, 2003	$1.42	$17.00	$224,460	$2,693,514
2. December 1, 2003 – November 30, 2004	1.42	17.00	224,460	2,693,514
3. December 1, 2004 – November 30, 2005	1.83	22.00	290,477	3,485,724
4. December 1, 2005 – November 30, 2006	2.00	24.00	316,884	3,802,608
5. December 1, 2006 – November 30, 2007	2.17	26.00	343,291	4,119,492
6. December 1, 2007 – November 30, 2008	2.17	26.00	343,291	4,119492
7. December 1, 2008 – November 30, 2009	2.17	26.00	343,291	4,119,492
8. December 1, 2009 – May 31, 2010 (six months)	2.25	27.00	356,494	2,138,967*

*4,277,934 annually

The monthly rent payable by the City to the lessor, Western Mart, for 158,442 square feet of office space, 25 parking spaces and 3,000 square feet of basement storage space at 875 Stevenson Street, would increase over the 7½ year period from $224,460 to $356,494 or from $2,693,514 to $4,277,934 annually (from $17.00 to $27.00 per square foot annually or approximately from $1.42 to $2.25 per square

foot monthly based on the 158,442 square feet of office space). The existing rent is $218,587 monthly or $2,623,044 annually (approximately $16.56[1] per square foot). Therefore, the proposed lease extension represents an increase over the rent paid under the existing lease of from $70,470 annually in the first year, or a 2.7 percent increase, to $1,654,890 annually in year eight or a 63.1 percent increase.

Utilities and Janitorial Services:

The City would continue to pay for the costs of electricity, janitorial services, and security guards. According to Mr. Larry Jacobson of the Real Estate Department, the City would pay approximately $1,050,000 annually for electricity, DPW custodians, and Building and Grounds Patrol Officers. Attachment II to this report, provided by Mr. Jacobson, shows the annual budget for these services.

Comments:

1. According to Mr. Jacobson, all of the existing City department tenants would remain at 875 Stevenson Street, with the exception of the PUC Utilities Engineering Bureau which has relocated its offices from the third floor (32,000 square feet) at 875 Stevenson Street to 1155 Market Street as of March 1, 2003. The Budget Analyst previously reported to the Finance Committee, concerning a supplemental appropriation ordinance (File 02-1892) approved by the Board of Supervisors on November 25, 2002, that the Department of Aging and Adult Services (DAAS) will move into the third floor at 875 Stevenson Street by August of 2003.[2]

2. Mr. Jacobson advises that the Real Estate Division first brought the subject resolution to the Board of Supervisors, after the existing lease expired on November 30, 2002, because the City and Western Mart only reached an agreement on November 21, 2002. That previously proposed five year lease extension had a rental rate of $3,485,724 or $22.00 per square foot annually, which would have remained

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[1] Actual rental rate is $16.5552.

[2] The PUC will pay for the relocation and improvement expenses of the DAAS, which will cost $298,000 from funds appropriated in the supplemental appropriation (File 02-1892), and for four of the five months (March of 2002 through January of 2003) at the existing rent rate ($759,942 annually, $63,328.50 monthly), which will cost the PUC $253,314 from funds approved in their FY 2002-2003 budget.

the same during the entire five year lease extension. This would have resulted in an annual increase in rent of $862,680 over the existing annual rent of $2,623,044 or a 32.9 percent increase, as compared to the proposed subject 7½ year lease extension which, as noted above, would increase the annual rent by 2.7 percent in the first year wherein the annual rent per square foot would be $17.00. Attachment III, provided by Ms. Venessa Henlon of the City Attorney's Office provides background to the proposed new 7½ lease extension. Ms. Henlon states that "Given the City's acute budget crisis, City staff were directed to try to work out a variation of the Lease extension which would less adversely impact the City's current budget problems." However, while the proposed subject 7½ year lease extension will cost the City a total of $1,584,420 less for the first two years than the previously proposed five-year lease extension, ($17 per square foot annually compared to the previously proposed five-year lease extension of $22.00 per square foot annually), the rental rate under the newly proposed 7½ lease extension will increase the City's rental costs to $22 square foot rate during the third year and to higher rents during the remaining four and one half years of this lease extension, up to $27.00 per square foot annually in year eight as noted in the table above. As previously noted, the previously proposed five-year lease extension would have cost the City the same annual rental rate of $22 per square foot, each year over the five year lease extension.

3. As explained in Attachment II to this report, Mr. Jacobson states that an independent appraiser, David Bohegian, determined the prevailing market rental rate at 875 Stevenson Street to be approximately $1.83 per square foot per month ($22.00 per square foot per year), or $3,485,724 annually for the 158,448 square feet of office space which the City is leasing. Mr. Jacobson states that the Real Estate Department agrees that Mr. Bohegian's independent appraisal of the market rental rate of the property represents fair market value. As noted in the table above, the first year of the proposed lease extension would have a $1.42 rental rate per square foot per month which is less than the reported fair market value of $1.83 per square foot per month.

4. As previously stated, the proposed resolution would grant the City a termination option after November 30, 2007, or two and one half years prior to the lease termination date of May 31, 2010, if the City meets the following conditions:

- The City must provide twelve (12) months prior written notice to exercise this option (by November 30, 2006);
- The City must be relocating into a building purchased or constructed by or for the City. The City may not exercise this early termination right to relocate into other privately owned leased space; and
- The City must pay Western Mart $850,000 to execute the early termination option.

Attachment III, provided by Ms. Henlon, explains the basis for the $850,000 City's payment required to terminate the lease extension after the fifth year of the lease. According to Ms. Henlon, the proposed lease extension option includes this early termination option provision because the City is exploring the construction of a City owned office building at 10th and Market Street.

5. Ms. Henlon states that the City is not currently renting the space at 875 Stevenson Street on a month-to-month basis since the lease expired on November 30, 2002, but rather the City has remained in its space on a "holdover basis", as is permitted under the existing lease. The proposed lease extension allows for a "holdover" rental rate of 120 percent of the existing rental rate of $218,587 monthly or $262,304 monthly which is $19.87 per square foot annually. Ms. Henlon notes that the "holdover" option will expire on April 30, 2003. The Budget Analyst notes that the proposed resolution incorrectly provides the amount of $20.40 per square foot per year as the "holdover" rate on page 2, line 20. The Budget Analyst therefore recommends that the proposed resolution be amended to reflect the correct "holdover" rate of $19.87.

The proposed lease extension would provide for a rent credit from Western Mart to the City in the amount of the difference between the amount of rent paid by the City since December 1, 2002 at the "holdover" rate of $19.87 per square foot and the amount the City is to pay at the rate of $17 per square foot for the first year of the proposed subject 7½ year lease extension agreement. According to Ms. Henlon, once a lease extension is approved, the actual amount of the rent credit would be

would be determined based on the actual amount of time the City has paid the "holdover" rate of $19.87 per square foot. The Budget Analyst notes that the proposed resolution does not specify that the City would be given a rent credit for the difference between the $19.87 per square foot per year holdover rate and the $17.00 per square foot per year, as specified in the proposed 7½ year lease extension, for the time period that the City has paid the higher "holdover" rate. The Budget Analyst therefore recommends that the proposed resolution be amended to include that the rent credit would be for the difference between $19.87 per square foot per year and $17.00 per square foot per year.

6. The previously proposed five-year lease extension would have cost the City $3,485,724 each year, or $17,428,620 over the five year lease extension. The proposed 7½ lease extension will cost the City $27,172,803 for the proposed 7½ year lease extension, or an average annual cost of $3,623,040. The Budget Analyst notes that this proposed 7½ year lease extension would result in an average annual increased cost of $137,316 in excess of the previously proposed five-year lease extension ($3,623,040 less $3,485,724). Additionally, should the City choose to exercise its early termination option on November 30, 2007, the end of the fifth year, the total cost to the City for the proposed new 7½ year lease extension would be $16,794,852 in annual rent, plus $850,000 to exercise the termination option, for a total five year cost of $17,644,852, which is $216,232 in excess of the five year cost of $17,428,620 for the previously proposed five-year lease extension.

Recommendations: 1. In accordance with Comment No. 5, amend the proposed resolution to reflect the correct "holdover" rate of $19.87 per square foot per year instead of $20.40 per square foot per year.

2. Also, in accordance with Comment No. 5, amend the proposed resolution to include that the rent credit payable to the City would be for the difference between $19.87 per square foot per year (the holdover rate) and $17.00 per square foot per year (the rate under the proposed lease extension for year one).

3. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

875 STEVENSON RENT ALLOCATION

Attachment I

Department	BOMA Area	Rent Per Sq. Ft.	Monthly Rent	Annual Rent
Reproduction (1st)	9,396	1.8333	17,226	206,708
DTIS (1st, 5th)	35,158	1.8333	64,455	773,462
Assessor/Recorder (1st)	9,934	1.8333	18,212	218,544
Lobby	0			
Public Administrator (2nd)	1,030	1.8333	1,888	22,660
Muni (formerly Pub. Admin. Space)	12,248	1.8333	22,454	269,451
Muni (2nd)	8,873	1.8333	16,267	195,202
Controller - PPSD (2nd & 3rd)	13,230	1.8333	24,255	291,055
PUC (3rd)	33,146	1.8333	60,767	729,199
DPW (4th)	33,700	1.8333	61,782	741,387
Café (4th)				
Storage (1st)	1,727	1.8333	3,166	37,993
(Storage: Treasurer 50%, Human Ser. 30%				
Retirement 10%, Controller 5%				
Purchaser 5%)				
Totals	*158,442*		*$290,472*	*$3,485,661*

ATTACHMENT #1 RE: File 02-1876

MEMORANDUM

DATE: December 4, 2002

TO: Harvey Rose, Budget Analyst

FROM: Larry Jacobson
Senior Real Property Officer

The following items are in response to your office's questions:

1. The reason that this resolution is being submitted to the Board of Supervisors after December 1, 2002 is that negotiations began in June 2002, and were not completed until November 21, 2002; too late to meet the December 1, 2002 deadline.

2. Paragraph 9 of the First Amendment of the lease describes the process for establishing an extension option rental rate; this process was used by the Mart (Landlord) and the City (Tenant). First it states "At the commencement of each Extended Term, the Rent shall be adjusted to equal ninety-five percent (95%) of the Prevailing Market Rate .....". The Amendment also includes a process for each party to hire an appraiser. If the appraisers' value is more than 10% apart, a third appraiser will be hired. The third appraiser will then average his value with the closer of the two previous appraisals. "This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the Prevailing Market Rate".

   The 875 Stevenson Street Landlord's appraiser (Rhoades) recommended a $26.50 per square foot rental rate, while the City's appraiser (Carneghi) set forth a rate of $12.38 per square foot. The third appraiser (Bohegian) was hired by the City and the Landlord, and established a rate of $22.00 per square foot.

   If the City and the Landlord strictly followed the mechanism outlined in the lease, the Prevailing Market Rate would have been midpoint between the Rhodes appraisal ($26.50) and the Bohegian appraisal ($22.00) specifically $24.25 per square foot. The City and the Landlord, however, agreed to accept the Bohegian rental rate of $22.00, which is less than 95% of the $24.25 ($23.03) . It was advantageous to the City to accept $22.00 rather than 95% of $24.25.

3. According to the terms of the lease, the City is obligated to lease the entire 158,442 square foot premises. The third floor of the subject building is presently occupied by the Public Utilities Commission staff. The staff will be moved to 1155 Market Street in the spring of 2003. The furniture, telephones and servers will remain in the leased space to be used by the next tenant: Department of Aging and Adult Services will move in as soon as is practical. Any large office move normally takes 60 to 90 days to have one tenant move out and a new tenant move in. The Real Estate Division anticipates that the time available will facilitate a smooth transition from PUC to DAAS.

4. The cost of security, janitorial / maintenance and electricity during the current fiscal year is as follows:

Security	$264,000
DPW/Maint.	701,000
Electricity	85.000
	$1,050,000

Larry Jacobson 12/4/02

SUMMARY OF PROPOSED LEASE EXTENSION OF CITY OFFICE SPACE AT 875 STEVENSON

I. Background.

The City currently leases approximately 158,000 square feet of office space over five (5) floors at 875 Stevenson Street (the "Premises"), pursuant to a lease with Western Mart Co., L.P. (the "Landlord") dated June 16, 1994, and amended November 15, 1996 (the "Lease"). The original term of the Lease expired on November 30, 2002, but under the Lease the City has the right, subject to the approval of the Board of Supervisors, to extend the term of the Lease for up to another seven and one-half (7.5) years.

Last spring, representatives of the City and Landlord began discussing the proposed terms of an extension of the Lease pursuant to the option rights described above. City and Landlord both obtained appraisals to determine the fair market rent for the Premises for what was originally proposed to be a five (5) year extension term. Ultimately, the parties agreed to hire a neutral third-party appraiser to determine the fair market rent of the Premises.

In November, 2002, the third-party appraiser (David Bohegian, a very well respected appraiser who the City has used on many projects), concluded that, given the relative scarcity of efficient, large floor plate space of this type in the Civic Center area, the fair market rental value of the Premises for a five-year extension term is $22/sq. ft. or $290,477 per month. The Real Estate Division of the City's Department of Administrative Services ("Real Estate") then submitted legislation to the Board of Supervisors seeking the Board's authorization of the City's exercise of its right to extend the term of the Lease for an additional five years at this new rental rate.

When the matter was heard before the Finance Committee of the Board of Supervisors, members of the Committee and the City's Controller raised concerns that the City did not have funds budgeted to pay the increase in the monthly rental rate from the $17/sq. ft. ($224,459/mo.) rate that had been applicable at the expiration of the original term of the Lease to the new rental rate of $22/sq. ft. ($290,477/mo).

Given the City's acute budget crisis, City staff were directed to try to work out a variation of the Lease extension which would less adversely impact the City's current budget problems. Those negotiations have been on-going since, the results of which are summarized below. In the meantime, the initial term of the Lease expired, and since December 1, 2002, the City has remained in its space on a "holdover basis", as permitted by the Lease, at the rental rate of $20.40/sq. ft., as set forth in the Lease. At that holdover rate, the currently available appropriations for the Premises will expire by the end of April, 2003.

II. The Revised Proposal.

Pursuant to the Board's and the Controller's suggestions, Staff have negotiated revised terms of the Lease extension that significantly reduce the short-term fiscal impacts to the City of the increase in fair market rent. As revised, the specifics of the proposed Lease extension would be as follows:

Lease Extension Term: The City would exercise at once the full allotment of lease extensions available to it under the Lease by extending the term for seven (7) and one-half (7.5) years, effective December 1, 2002, and expiring on May 31, 2010, subject to an early termination right at the end of the fifth (5^{th}) year described below.

Rent:

Year 1 –$17/sq. ft.($224,459/mo) ($2,693,514/yr)
Year 2 – $17/sq. ft. ($224,459/mo) ($2,693,514/yr)
Year 3 – $22/sq. ft. ($290,477/mo) ($3,485,724/yr)
Year 4 – $24/sq. ft. ($316,884/mo) ($3,802,608/yr)
Year 5 –$26/sq. ft. ($343,291/mo) ($4,119,492/yr)
Year 6 –$26/sq. ft. ($343,291/mo) ($4,119,492/yr)
Year 7 - $26/sq. ft. ($343,291/mo) ($4,119,492/yr)
Year 71/2 -$27/sq. ft. ($356,494/mo) ($2,138,967/1/2 yr.)

The average rent over the first five years of the Lease extension period under this rent schedule is the appraised fair market value of $22/sq. ft., including interest on the deferred portions of the rent at 4%. (The 4% interest rate is reasonable as a short-term credit rate, and much more so over a period potentially as long as seven and one-half (7.5) years).

Average rent for the final two and one-half (2.5) years is $23.87/sq. ft. This increase reflects a cumulative 8.5% CPI adjustment at year five (or 1.65% compounded annually). According to Real Estate, the amount of that CPI adjustment is very reasonable. In addition, the actual cost of this Lease is even lower to the City because the Landlord is required under the Lease to absorb increases in operating costs. Unlike many typical commercial leases, there are no significant "pass throughs" of increases in operating costs such as insurance, taxes, HVAC costs, etc., even by increases in CPI.

Rent Credit. In addition, Landlord has agreed to credit City the difference between the amount of rent paid by City since December 1, 2002 (at the holdover rate of approximately $20.40/sq. ft.) and the amount City would have paid at the rate of $17/sq. ft. if the revised Lease extension had been approved. Thus, for example, if the revised rental structure under the extension becomes effective as of May 1, 2003, City will receive a rent credit of $189,225 against the $224,459 payment that would be due for that month.

Termination Option: Because the City is, pursuant to a Resolution of the Board of Supervisors adopted March 4, 2002, exploring the construction of a City owned office building at 10^{th} and Market streets that might provide space for many of the City personnel currently occupying the Premises, the City further negotiated the right to terminate the Lease two and one-half (2.5)

years early, effective at the end of the fifth (5^{th}) year of the Lease extension term (November 30, 2007), on the following conditions:

- City shall provide twelve (12) months prior written notice to exercise this option (by November 30, 2006);
- At the time of the early termination, City must be relocating into a building purchased or constructed by or for City. City may not exercise this early termination right to relocate into another private building owner's leased space;
- City shall pay Landlord $850,000, which equals the portion of the approximately $1.6 Million dollars in rent that was deferred in years one (1) and two (2), plus interest at 4%, that would have been recovered out of rent in the last two and one-half (2.5) years of the term;
- This early termination right, and the conditions attached to it, shall be independent from the City's legally mandated right already set forth in the Lease to terminate the Lease without penalty at any time in the event of a failure by the Board of Supervisors to appropriate sufficient funds.

Other terms: All other terms and conditions of the Lease shall remain the same.

To summarize, the key differences from the current proposed lease extension terms and the original proposal are as follows:

- Rent is frozen at current ('02/'03) levels for the next two (2) years, saving the City approximately $1,600,000 over that period.
- The term of the extension period is extended from five (5) years to seven and one-half (7.5) years, effective December 1, 2002.
- The approximately $1,600,000 of rent that is deferred in the first two (2) years of the extension period is recaptured by the Landlord in rent adjustments spread over the remaining five and one-half (5.5) years of the Lease, plus interest at four (4)%.
- The City has the right to terminate the Lease early, at the end of the fifth (5^{th}) year, without penalty, so long as the City pays Landlord the portion of the approximately $1,600,000 rent deferral that otherwise would have been recovered out of the last two and one-half (2.5) years of the term (approximately $850,000).

Item 6- File 03-0300

Department:	Public Library
Item:	Resolution certifying project budget, local funding, supplemental funding and public library operations pursuant to the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000, for an application for a State grant for the expansion and renovation of the Richmond Branch Library.
Source of Funds:	California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000 (Proposition 14), which is administered by the State Library (see Comment No. 1)
Grant Amount:	$5,141,692 (65% of total estimated State eligible project costs of $7,910,295)
Grant Period:	November 1, 2003 through March 31, 2007 (Three years and five months)
Required Match:	$2,768,603 or 35% of total estimated State eligible project costs of $7,910,295 (see Comment No. 2)
Source of Funds For City Match:	$2,400,000 from the City's Public Building Safety Improvement Bonds (commonly known as the Earthquake Safety Program) approved in November of 1989, $107,603 from the City's Branch Library Facilities Improvement Bonds, 2000 and $261,000 from the Friends & Foundation of the San Francisco Public Library.
Indirect Costs:	The grant terms prohibit the inclusion of indirect costs in the grant budget.
Description:	The proposed resolution would certify the application for a State grant under the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000 for the expansion and renovation project of the Richmond Branch Library. A description of this project is explained in Attachment I, provided by the Public Library. According to Mr. George

Nichols of the Public Library, although the City's Administrative Code does not currently require Board of Supervisors approval to apply for a grant, the State grant guidelines for this subject grant require that the Board of Supervisors certify the grant application, which will be submitted by March 28, 2003, including the certification of the Richmond Branch Library renovation project budget and the certification of the source of the matching funds required by the subject State grant, prior to submission of the grant application to the State Library for consideration. Mr. Nichols advises that if the State Library awards such grant funds to the Public Library for the expansion and renovation of the Richmond Branch Library, the Public Library will request separate approval from the Board of Supervisors to accept and expend the grant funds.

On November 7, 2000, San Francisco voters approved Proposition A, Branch Library Facilities Improvement Bonds, 2000 which authorized the City to issue up to $105,865,000 in General Obligation Bonds to (1) rehabilitate, renovate, and improve 19 existing Branch Libraries; (2) acquire land and construct four new City-owned Branch Libraries to replace Branch Libraries currently housed in leased facilities; (3) construct a new Branch Library in the Mission Bay neighborhood for a total of 24 Branch Libraries; and, (4) provide a facility for a system-wide administrative support center. Attachment II, provided by the Public Library is a list of the 19 existing Branch Libraries, five new Branch Libraries (24 total Branch Library sites) and one support services center that would receive funds under the City's Branch Libraries Improvement Bond Act, 2000 including the Richmond Branch Library. Ms. Susan Hildreth of the Public Library explains that budgeted amounts shown in Attachment II include (a) State bond funds, (b) private funds and (c) Public Building Safety Improvement Bonds monies, in addition to $105,865,000 from the City's Branch Libraries Improvement Bonds, 2000.

Mr. Nichols advises that the expansion and renovation of the Richmond Branch Library is one of the 24 Branch Library site renovation projects approved by the San Francisco voters in November of 2000. The Richmond

Branch Library is a City-owned 2-story facility located at 351 9th Ave., and occupies 9,820 square feet. Mr. Nichols reports that the expansion and renovation of the Richmond Branch Library includes (a) seismic reinforcement of the existing structure; (b) renovation of the electrical, mechanical and life-safety systems; (c) renovation of the existing service counters and bathrooms to meet Americans with Disabilities Act (ADA) standards; (d) redesigning existing floor space; (e) new furniture, fixtures and equipment; (f) new floor finishes; and, (g) interior remodeling. Mr. Nichols states that the proposed improvements would expand the usable square footage of the Richmond Branch Library by 4,000 square feet from 9,280 square feet to 13,280 square feet.

Mr. Nichols advises that construction for the Richmond Branch Library expansion and renovations are anticipated to begin in September of 2004 and to be completed in September of 2006 or approximately two years.

Budget:

Although the State's eligible costs for this project total $7,910,295, the Richmond Branch Library renovation project is estimated to cost a total of $8,446,522, or $536,227 more than the State's eligible costs. As shown in Attachment III, provided by the Public Library, State-eligible project costs total $7,910,295 and State-ineligible costs total $536,227 for total costs of $8,446,522. According to Mr. Nichols, the $536,227 in costs which are ineligible for State grant funding include (a) $400,000 for Local Project Administration costs for the Bond Program Manager to manage the Richmond Branch Library renovation project, (b) $50,000 for Relocation and Moving Costs to move the Branch Library's books and furnishings out of the Branch Library, store them during the construction and move the materials back into the Branch Library when construction is complete, (c) $50,000 for new books and materials for the Richmond Branch Library that would be purchased before the renovation is complete and (d) $36,227 for City-required public art, as explained in Attachment I by Ms. Hildreth. Mr. Nichols further advises that (a) the $400,000 in Local Project Administration Costs, (b) the $50,000 in Relocation and Moving Costs, and (c) the $36,227 for public art were

appropriated in the Public Library's Capital Improvement Program budget from the City's Branch Library Facilities Improvement Program Bonds, 2000 monies. Mr. Nichols also advises that the $50,000 for new books and materials will be subject to future Board of Supervisors appropriation approval in the Public Library's operating budget for Fiscal Year 2004-2005 in preparation for the Branch's reopening once construction is completed.

Funding Sources:

Attachment III provided by the Public Library lists all funding sources and amounts totaling $8,446,522.

Comments:

1. In March of 2000, California voters approved the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000 (Proposition 14). According to Mr. Nichols, these State Bond monies must be used for library construction and remodeling projects and will be awarded on a competitive basis. Mr. Nichols advises that the proposed grant application must be submitted to the State Library by March 28, 2003 for the second cycle of Proposition 14 grant applications. The Public Library submitted a Proposition 14 grant application in the first cycle in June of 2002. However the Public Library was not awarded any of the subject grant funds. The Public Library will submit three or four additional Proposition 14 grant application in the third cycle (due in January of 2004).

2. Mr. Nichols advises that this State grant of $5,141,692 requires $2,768,603 in matching funds or 35 percent of total estimated State eligible costs of $7,910,295. As noted above, the $536,227 in additional costs which are not eligible for State grant funds include (a) project administration, (b) public art, (c) relocation and moving costs and (d) library materials. Other costs associated with the Richmond Branch Library expansion and renovation are eligible for State funding. Of the $2,768,603 in required matching funds $2,400,000 would be provided by the Public Building Safety Improvement Bonds monies, $107,603 would be provided by the City's Branch Library Facilities Improvement Bonds, 2000 monies, totaling $2,507,603, and $261,000 would be

provided by the Friends & Foundation of the San Francisco Public Library, a nonprofit organization, for furniture, fixtures and equipment for the Richmond Branch Library (see Comment No. 3). Ms. Hildreth reports that the use of the Public Building Safety Improvement Bonds monies for the Richmond Branch Library is consistent with the uses outlined in the bond sale documentation, which was previously approved by the Board of Supervisors.

3. Mr. Nichols notes that the City's Branch Library Facilities Improvement Bonds, 2000, prohibits, distinctly from State eligibility criteria, the use of the bond monies for movable furniture, fixtures and equipment (FFE), which total $714,795, and therefore are not eligible bond fund expenditures. Mr. Nichols also notes that $30,000 out of a total of $50,000 budgeted for signage is not eligible for funding from the City's Branch Library Facility Improvement Bonds, 2000. Such estimated ineligible costs total $744,795 ($714,795 plus $30,000) for the Richmond Branch Library. Attachment IV provides a complete list, by cost, of the moveable FFE. According to Mr. Nichols, the estimated furniture, fixtures and equipment and signage costs, totaling $744,795 will be funded as follows: (a) $483,795 from the subject grant; and, (b) $261,000 from the Friends & Foundation of the San Francisco Public Library.

4. According to Mr. Nichols, the Department of Public Works (DPW) will provide architectural, engineering and construction management services, with the assistance of as-needed specialized consultants under contract with DPW, for the Richmond Branch Library expansion and renovation project. Attachment V provided by the Public Library contains a detailed budget totaling $2,363,500 for such DPW costs. Mr. Nichols advises that the specialized consultants would be selected through a Request for Proposals process. According to Mr. Nichols, additional budget details, including hours and hourly rates, for all consultant services will be submitted to the Board of Supervisors when the Public Library requests Board of Supervisors approval to accept and expend the State grant funds. Mr. Nichols further advises that the

construction contracts would be awarded on a competitive bid basis.

5. If the City is not awarded the full amount of the subject State grant funds of $5,141,692, Mr. Nichols advises that additional funding would be allocated from the City's Branch Library Facilities Improvement Bonds, 2000 monies.

Recommendation: Approve the proposed resolution.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

San Francisco Public Library

100 Larkin Street, San Francisco, CA 94102

Memorandum

To: Harvey Rose, Budget Analyst

From: Susan Hildreth, City Librarian

Re: File 03-0300
Richmond Branch Library Expansion and Renovation Grant Application

Date: March 12, 2003

You have asked the Library to address a number of issues in regard to this project. I hope to do so with the following information.

Detailed description of project: This project entails an expansion and a complete renovation of the Richmond Branch Library, which is an architecturally significant 1917 building that was funded by the well-known library philanthropist Andrew Carnegie. The current square footage of the branch is 9,820 and this will be increased by 4,000, for a total of 13,820 square feet. The branch will remain in its current location, but expand to the north, south and west on the site. The expansion will add a defined entryway (known as a "winter garden") facing 10th Avenue, a program room to seat 50 participants, a separate area for teens, spaces for quiet reading, study rooms and efficient staff workspace. Because these functions will be housed in the addition to the branch, the existing area of the Library will be able to accommodate growth in both children's and adult services. Technology, electrical service and mechanical systems throughout the building will be brought up to current standards, with the capability to accommodate service demands over at least the next twenty years. The building will be made seismically safe, an elevator will be installed to provide disabled access to all parts of the buildings and the public restrooms will be increased, enlarged and modernized. The landscaped areas that surround the building will also be enhanced.

Costs for Richmond Branch in Branch Library Facilities Improvement Bonds, 2000: Costs for the Richmond Branch Library expansion and renovation were included in the bond program. $7,141,500 is the amount allocated in the bond program for the Richmond Branch Library project. The completion of the full scope of the branch bond program is dependent on obtaining $10 million from state library construction funds. The Richmond project is the most expensive project and would bring in the largest amount of

state grant funds (65% of project costs, $5,141,692), over 50% of the needed amount. If $10 million is not obtained, the scope of most projects may have to be modified.

Bond Program Funding
The Branch Bond Program was submitted for consideration to the Capital Improvements Advisory Committee at a total of $125 million. The funding was reduced by $20 million, $10 million from the Brooks Hall/Support Services Center Project and $10 million from all other projects in anticipation of receiving $10 million in Proposition 14 construction funds. Although we have estimated costs for all projects, until we receive at least $10 million in grant funds, we do not have the revenue to support the entire program. In light of that fact, the Commission created a $5 million reserve last year, which will not be allocated until all Proposition 14 grants are awarded. Hopefully, we will receive at least $5 million from state funds; and all projects in the bond program can be completed.

How was amount for public art ($36,227) determined: San Francisco's Public Art Program, one of the first in the country, was established by City Ordinance in 1969. The ordinance provides for 2% of the construction cost of civic buildings, transportation improvement projects, new parks and other above-ground structures to be allocated to public art. The Library has been working with the Art Commission staff on public art related to the bond program since the inception of the program. Public art is not included in every civic project that the City undertakes. New construction and major renovations to facilities trigger the requirement for public art in civic projects. Library and Art Commission staff reviewed the scope of the bond program and determined that the construction of the five new branches (Glen Park, Ingleside, Mission Bay, Portola and Visitacion Valley) and the substantial addition and renovation to the Richmond Branch Library would qualify as projects that would trigger the requirement for public art. All other projects, primarily renovations and very small additions, would not be subject to the requirement for the public art set-aside.

The allocation for public art for any eligible project is calculated as 2% of the project construction costs. No other design or "soft" projects costs are considered in the calculation. In the case of the Branch Library Improvement Program, the construction costs of the six (6) eligible projects was a total of $15,100,000; and 2% of that cost was $302,000. The $302,000 has been allocated as follows: administrative and other program-wide costs are $84,635; $217,365 available for the artwork for six (6) facilities, or $36,227 for each facility.

An alternate approach to the public art program would be to calculate 2% of each separate project and use that allocation for public art. The average construction cost of the five (5) new branches, not including the Richmond Branch, is about $1.9 million. Applying the 2% public art allocation would result in $38,000 per project. This amount would have to support the Art Commission administrative and program-wide costs (25% or $9,500) and would result in $28,500 for artwork for each project. By calculating the public art allocation by pooling the construction costs, instead of calculating each project separately, each new project was able to receive somewhat higher funding that would support a more significant piece of artwork for the project. This pooled approach to

funding the public art program was recommended by Library and Art Commission staff and approved by the Library Commission. Because the Library and Art Commission staff are working very closely on these projects and including artists at the initial stages of project design, it is anticipated that the program will be very successful and provide public art that is well-integrated in the design of the libraries.

Name of the Branch Bond Program: The legislation authorizing this bond program to be placed on the ballot refers to it as "Branch Library Facilities Improvement Bonds, 2000". In most Library documents, it is referred to as the "Branch Library Improvement Program".

Name of Earthquake Safety Bonds: The name of the bond program from which funds were allocated for the Richmond Branch Library seismic improvements and that is providing funding for a portion of this project is the Public Buildings Safety Improvement Bonds, which were approved by the voters in November 1989.

Board of Supervisors Approvals: The Board of Supervisors has several opportunities to discuss and act on appropriations for the Branch Library Improvement Program. The Board of Supervisors approves all bond sales which outline in detailed fashion the planned uses of funds. Also, the Library includes branch bond program projects in its Capital Improvements Plan which is reviewed and approved by the Board of Supervisors annually. In cases of site or property acquisition for projects, the Board of Supervisors approves all those acquisitions.

Information regarding Richmond Expansion and Renovation – Total eligible state costs

$7,141,500	Estimated cost of Richmond project, funded from local GO bond funds
$744,795	Furniture, Fixtures, Equipment, costs that cannot be funded from local GO bonds, but can be funded by State bond funds. Friends & Foundation contributing local 35% match of $261, 000 from private funds
$24,000	Portion of library consultant fee Total library consultant fee of $58,381 for project, $34,381 was funded out of costs allocated directly to Richmond project, $24,000 was funded by bond monies allocated to Library use, not included in the Richmond project allocation
$7,910,295	Total eligible State costs

Attached per your request are the following:

- Detailed lists of furniture, fixtures and equipment (FFE) budgeted
  Built-in shelving and casework - $260,760
  Moveable FFE - $714,795
  Project total is $975,555
- Branches to receive money from the bond program and the allocated amount – document titled "Budget Report – 2000 Branch Library Bond Expenditures"
- Services Provided By or Through Department of Public Works

Please feel free to contact me at 557-4232 for any additional information.

Budget Report-2000 Branch Library Bond Expenditures

Job #	Branch	Baseline Budget (10/01)	Current Budget (7/02)	Actual Expenditures & Encumbrances 30-Jun-02
Phase 1 Projects				
Excelsior	Soft Costs	955,000	907,250	315,662
EX 7525A	Construction Costs	2,865,000	2,721,750	
	SUBTOTAL	3,820,000	3,629,000	315,662
Marina	Soft Costs	1,027,500	976,125	3,731
MA 7510A	Construction Costs	3,082,500	2,928,375	
	SUBTOTAL	4,110,000	3,904,500	3,731
Mission Bay	Site Aquistion	3,350,000	3,957,000	50,416
MB 7518A				
	SUBTOTAL	3,350,000	3,957,000	50,416
Noe Valley	Soft Costs	1,323,000	1,256,850	23,539
NV 7511A	Construction Costs	3,087,000	2,932,650	
	SUBTOTAL	4,410,000	4,189,500	23,539
Parkside	Soft Costs	720,000	684,000	3,944
PS 7512A	Construction Costs	2,160,000	2,052,000	
	SUBTOTAL	2,880,000	2,736,000	3,944
Richmond	Soft Costs	2,289,000	2,174,550	310,502
RI 7513A	Construction Costs	5,341,000	4,966,950	
	SUBTOTAL	7,630,000	7,141,500	310,502
Visitacion Valley	Site Aquistion	2,090,000	2,090,000	
VV 7522A	Soft Costs	807,500	767,125	
	Construction Costs	2,422,500	2,253,375	
	SUBTOTAL	5,320,000	5,110,500	-
Sup. Srvs	Site Aquistion	9,080,000	8,626,000	1,982
SC 7524A				
	SUBTOTAL	9,080,000	8,626,000	1,982
Phase 2 Projects				
Glen Park	Site Aquistion	1,770,000	3,428,000	21,569
GP 7515A	Soft Costs	700,000	317,500	37,815
	Construction Costs	2,100,000	935,500	
	SUBTOTAL	4,570,000	4,681,000	59,384
Ingleside	Site Aquistion	1,770,000	1,770,000	45,205
IN 7517A	Soft Costs	700,000	665,000	
	SUBTOTAL	4,570,000	4,388,000	45,205
Portola	Site Aquistion	1,770,000	1,770,000	76
PL 7520A	Soft Costs	700,000	665,000	
	Construction Costs	2,100,000	1,953,000	
	SUBTOTAL	4,570,000	4,388,000	76
North Beach	Soft Costs	865,000	821,750	
NB 7526A	Construction Costs	2,595,000	2,465,250	
	SUBTOTAL	3,460,000	3,287,000	-
Sunset	Soft Costs	447,000	424,650	10,234
SS 7527A	Construction Costs	1,043,000	990,850	
	SUBTOTAL	1,490,000	1,415,500	10,234
West Portal	Soft Costs	1,233,000	1,171,350	
WP 7528A	Construction Costs	2,877,000	2,733,150	
	SUBTOTAL	4,110,000	3,904,500	-
Phase 3 Projects				
Bayview	Soft Costs	955,000	907,250	
BV 7529A	Construction Costs	2,865,000	2,721,750	
	SUBTOTAL	3,820,000	3,629,000	-
Eureka Valley	Soft Costs	1,145,000	1,087,750	
EV 7530A	Construction Costs	3,435,000	3,263,250	
	SUBTOTAL	4,580,000	4,351,000	-
Ortega	Soft Costs	890,000	845,500	
OR 7531A	Construction Costs	2,670,000	2,536,500	
	SUBTOTAL	3,560,000	3,382,000	-
Western Addition	Soft Costs	857,500	814,625	
WA 7532A	Construction Costs	2,572,500	2,443,875	
	SUBTOTAL	3,430,000	3,258,500	-

	Job #	Branch	Baseline Budget (10/01)	Current Budget (12/02)	Actual Expenditures & Encumbrances 31-Dec-02
Phase 4 Projects					
Anza		Soft Costs	1,422,000	1,350,900	
AZ	7533A	Construction Costs	3,318,000	3,152,100	
		SUBTOTAL	4,740,000	4,503,000	-
Bernal Heights		Soft Costs	1,605,000	1,524,750	
BE	7534A	Construction Costs	3,745,000	3,557,750	
		SUBTOTAL	5,350,000	5,082,500	-
Golden Gate Valley		Soft Costs	1,602,000	1,521,900	
GG	7435A	Construction Costs	3,738,000	3,551,100	
		SUBTOTAL	5,340,000	5,073,000	-
Potrero		Soft Costs	1,057,500	1,004,625	
PT	7536A	Construction Costs	3,172,500	3,013,875	
		SUBTOTAL	4,230,000	4,018,500	-
Phase 5 Projects					
Merced		Soft Costs	1,050,000	997,500	
ME	7537A	Construction Costs	3,150,000	2,992,500	
		SUBTOTAL	4,200,000	3,990,000	-
Park		Soft Costs	327,500	311,125	
PK	7538A	Construction Costs	982,500	933,375	
		SUBTOTAL	1,310,000	1,244,500	-
Presidio		Soft Costs	459,000	436,050	
PD	7539A	Construction Costs	1,071,000	1,017,450	
		SUBTOTAL	1,530,000	1,453,500	-
Program-Wide					
LM	7501A	Library Program Costs	800,000	800,000	33,836
CS	7500A	Program Consultants	750,000	750,000	89,812
PM	7509A	City Program Management	3,600,000	3,600,000	358,852
RE	7502A	Real Estate Dept	120,000	120,000	120,000
AE	7503A	Art Enrichment Fund	0	302,000	15,871
RM		Relocation & Moving Reserve	4,360,000	4,320,000	
FE		Furniture & Equipment Reserve	15,000,000	15,000,000	
FC		Bond Financing Costs	1,500,000	1,500,000	215,238
SF		ProgramReserve	1,675,000	5,074,500	
		SUBTOTAL	*27,805,000*	*31,466,500*	*833,609*
TOTAL COSTS			133,265,000	133,265,000	10,136,489

BOND PROGRAM REVENUES

City General Obligation Bond	105,865,000
State Bond Funds	10,000,000
Private Funds (FFE)	15,000,000
Earthquake Safety Program	2,400,000
TOTAL REVENUES	133,265,000

Library Project Budget *(All projects except Multipurpose Projects)*

If there are no costs in any line item below for the project, specify by putting a zero "0" in the blank provided.

			Eligible	Ineligible
1)	New Construction	>	$ 1,248,000	$
2)	Remodeling Construction	>	$ 2,659,510	$
3)	Contingency	>	$ 523,730	$
4)	Appraised Value of Building	>	$ 0	$
5)	Appraised Value of Land	>	$ 0	$
6)	Site Development	>	$ 388,000	$
7)	Site Demolition	>	$ 0	$
8)	Site Permits & Fees	>	$ 102,000	$
9)	Site Option to Purchase Agreement	>	$ 0	$
10)	Furnishings & Equipment Costs	>	$ 975,555	$
11)	Signage	>	$ 50,000	$
12)	Architectural & Engineering Costs	>	$ 1,302,329	$
13)	Construction Cost Estimator Fees	>	$ 30,000	$
14)	Interior Designer Fees	>	$ 75,000	$
15)	Geotechnical/Geohazard Reports	>	$ 19,000	$
16)	Hazardous Materials Consultant Fees	>	$ 30,000	$
17)	Energy Audit, Structural Engineering, Feasibility & ADA Studies	>	$ 56,790	$
18)	Library Consultant Fee	>	$ 58,381	$
19)	Construction Project Management	>	$ 306,000	$
20)	Other Professional Fees	>	$ 86,000	$
21)	Local Project Administration Costs	>	$ 0	$ 400,000
22)	Works of Art	>	$ 0	$ 36,227
23)	Relocation Costs & Moving Costs	>	$ 0	$ 50,000
24)	Acquisition of Library Materials	>	$ 0	$ 50,000
25)	Other (Specify):	>	$ 0	$
26)	Other (Specify):	>	$ 0	$
27)	Other (Specify):	>	$ 0	$
28)	TOTAL PROJECT COSTS:	>	$ 7,910,295	$ 536,227

Sources of Project Revenue *(All projects except Multipurpose Projects)*

29)	State Matching Funds (65% of Line 28[1] Eligible Costs)	>		$ 5,141,692
30)	Local Matching Funds (Line 28 Eligible Costs minus Line 29) *[Must also equal the total of Lines 31 - 35]*	>		$ 2,768,603
	Sources of Local Matching Funds:			
	31) City	>	$ 2,507,603	
	32) County	>	$	
	33) Special District	>	$	
	34) Private	>	$ 261,000	
	35) Other (Specify):	>	$	
36)	Local Credits [Land[2] and A&E Fees]	>		$ 0
37)	Adjusted Local Match [Line 30 minus Line 36]	>		$ 2,768,603
38)	Supplemental Local Funds [Same as Line 28 ineligible]	>		$ 536,227
39)	TOTAL PROJECT INCOME: [Add Lines 29, 30, and 38]	>		$ 8,446,522

[1] *Up to a maximum of $20,000,000*

[2] *Land credit is not allowed for land acquired by funds from the "Class Size Reduction Kindergarten-University Public Education Facilities Bond Act of 1998" [See Education Code section 19995 (c) which references Part 68 (commencing with section 100400 of the Education Code)]*

Funding Sources

California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000, Proposition 14	$5,141,692
Earthquake Safety Program Bond	$2,400,000
Proposition A, Branch Library Facilities Improvement Bonds, 2000	$593,830
The Friends & Foundation of the San Francisco Public Library	261,000
FY 2004-2005 Public Library Operating Budget	50,000
Total	$8,446,522

RICHMOND BRANCH LIBRARY RENOVATION AND EXPANSION, SAN FRANCISCO, CALIFORNIA

COST ESTIMATE FOR SHELVING AND CASEWORK

	LOCATION / ITEM DESCRIPTION	QUANTITY	UNIT	UNIT COST	TOTAL
1.1	**Winter Garden and Public Entrance, Upper Level**				
	NONE INCLUDED IN THIS ESTIMATE				
2.1	**Express Checkout & Reserves, Upper Level**				
	shelving, 84" for self-serve reserves/holds	3.0	each	325.00	975
2.2	**Service Center, Upper Level**				
	Custom made circulation desk, approx. 50 lf for the following:	1.0	Assembly	13000.00	13,000
	staff counter positions (2 circ., 1 ref., 1 dual-use)	4.0	positions		0
	returns workstation	1.0	positions		0
	interior return slots, set horizontally, at service desk	2.0	slots		0
	display of library handouts, blt. Into desk	1.0	unit		0
	ready reference support shelves	1.0	sections	300.00	300
	circulation support shelves	1.0	sections	300.00	300
	shelving, 66" for immediate checkout area	3.0	sections	300.00	900
3.1	**Adult New/McNaughton Books Browsing**				
	shelving, 66"	8.0	sections	300.00	2,400
3.2	**Adult Reference Collection**				
	shelving, 84"w/12" shelf w/center rollout shelf for adult ref bks	15.0	sections	500.00	7,500
3.3	**Computers for Adults - NONE INCLUDED IN THIS ESTIMATE**				
3.4	**Adult Circulating Books**				
	shelving, 84" sh for fiction & genre - 37.5 sections	119.0	sections	325.00	38,675
	shelving, 84" sh for nonfiction - 81.3 sections	included above			

RICHMOND BRANCH LIBRARY RENOVATION AND EXPANSION, SAN FRANCISCO, CALIFORNIA					
COST ESTIMATE FOR SHELVING AND CASEWORK					
	LOCATION / ITEM DESCRIPTION	QUANTITY	UNIT	UNIT COST	TOTAL
	shelving, 84" spinners inset in shelf unit for pbks - 6.3 sections, say 7	7.0	sections	500.00	3,500
3.5	**Adult Magazines & Newspapers**				
	shelving, 84" slanted for Engl.mag display	4.0	sections	325.00	1,300
	shelving, 84" slanted for Intl. Lang mag display	1.0	sections	325.00	325
	shelving, 84" for Engl. Mag backfiles	11.0	sections	500.00	5,500
	shelving, 84", for Intl. lang backfiles	included above			
	shelving, 84" for Engl. newspaper display & bkfiles, shelf w/ plexi inserts	1.0	sections	520.00	520
	shelving, 84" for Intl. lang. nspr display & bkfiles, shelf w/ plexi inserts	included above			
3.6	**Adult Audiovisual Media**				
	shelving, 84", for Engl. Lang. Videos, 2.1 sections	4.0	sections	1050.00	4,200
	shelving, 84", for Intl. Lang. Videos, 1.0 section	included above			
	shelving, 84", for Engl. Lang.DVDs, 1.0 section	2.0	sections	1050.00	2,100
	shelving, 84", for Intl. Lang.DVDs, 0.7 section	included above			
	shelving, 66" browse bins for Engl. Lang.music CDs , 1.6 section	3.0	sections	1050.00	3,150
	shelving, 66" browse bins for Intl. Lang.music CDs , 1.1 sections	included above			
	shelving, 66" browse bins for Engl. Lang.cassettes, 2.5 sections	4.0	sections	1050.00	4,200
	shelving, 66" browse bins for Intl. Lang.cassettes, 1.5 sections	included above			
	shelving, 84", for Engl. Lang.audio books, 4.3 sections	5.0	sections	1050.00	5,250
	shelving, 84", for Intl. Lang.audio books, 0.9 sections	included above			
	shelving, 84", for Engl. Lang. New format, 0.4 section	1.0	sections	1050.00	1,050
	shelving, 84", for Intl. Lang. New format, 0.4 section	included above			

RICHMOND BRANCH LIBRARY RENOVATION AND EXPANSION, SAN FRANCISCO, CALIFORNIA

COST ESTIMATE FOR SHELVING AND CASEWORK

	LOCATION / ITEM DESCRIPTION	QUANTITY	UNIT	UNIT COST	TOTAL
3.7	**Adult International Languages Collection**				
	shelving, 84" for Asian books	45.1	sections		
	shelving, 84" for Russian books	14.6	sections		
	subtotal	59.7			
		60.0	sections	325.00	19,500
3.8	**Study Room A - NONE INCLUDED IN THIS ESTIMATE**				
3.9	**Study Room B - NONE INCLUDED IN THIS ESTIMATE**				
3.10	**Copy Center**				
	work counter w/ small eqpt, 5'x3' +50% circulation, storage & recylcing below	1.0	each	500.00	500
4.1	**Branch Manager's Office**				
	shelving, 84"	1.0	section	325.00	325
4.2	**Adult Services Staff Workroom, Returns & Sorting**				
	work counter w/ wet sink 6'x2.5' w/ storage above & below	1.0	counter	1200.00	1,200
	sections full-ht shelving	5	sections	325	1,625
	mail/delivery sorting counter, 6' x 3', w/ fax on counter & pigeon holes above	1.0	counter	1600.00	1,600
	sections full-ht shelving for return snags, damaged items, etc	1.0	sections	325.00	325
5.1	**Custodial Closet, Upper Level - NONE INCLUDED IN THIS ESTIMATE**				
10.1	**Winter Garden and Public Entrance Lower Level**				
	NONE INCLUDED IN THIS ESTIMATE				

RICHMOND BRANCH LIBRARY RENOVATION AND EXPANSION, SAN FRANCISCO, CALIFORNIA

COST ESTIMATE FOR SHELVING AND CASEWORK

	LOCATION / ITEM DESCRIPTION	QUANTITY	UNIT	UNIT COST	TOTAL
10.2	Materials Return Room				
	exterior return 2 -slots at building wall , stainless steel	2.0	slots	1100.00	2,200
	fire deterrent cart, 45-1/2" x 30" x 39"	1.0	each	1560.00	1,560
10.3	Program Room				
	kitchen/refreshment prep area w/ counter 6'Lx3'D	1.0	each	1500.00	1,500
10.3.1	Program Room Storage				
	shelving, industrial, 80", for programming props, puppets	1.0	sections	450.00	450
10.4	Public Restrooms - NONE INCLUDED IN THIS ESTIMATE				
10.5	Family Restroom, Children's Area - NONE INCLUDED IN THIS ESTIMATE				
11.1	Express Checkout & Reserves				
	NONE INCLUDED IN THIS ESTIMATE				
11.2	Children's Service Center				
	Custom made curved circulation desk for the following:	1.0	Assembly	7000.00	7,000
	staff counter positions (2 circ., 1 ref. 1 dual-use)	4.0	positions		
	ready reference support shelf	1.0	sections		
	return slots, set horizontally, at service desk	2.0	slots		
	shelving for reserves/holds under service counter	1.0	shelves		
	display of library handouts, blt into desk	1.0	unit		
11.3	Children's Reference, New Books & Magazines				
	shelving, 66"w/12" shelf, for non-circulating reference w/ center rollout shelf	6.4	sections		

RICHMOND BRANCH LIBRARY RENOVATION AND EXPANSION, SAN FRANCISCO, CALIFORNIA

COST ESTIMATE FOR SHELVING AND CASEWORK

	LOCATION / ITEM DESCRIPTION	QUANTITY	UNIT	UNIT COST	TOTAL
	shelving, 66"w/12" shelf, for circulating reference w/ center rollout shelf	5.4	sections		
	subtotal	11.7			
		12.0	sections	350.00	4,200
	shelving, 66" display for J new bks, 2.6 sections	3.0	sections	300.00	900
	shelving, 48" slanted for magazines, 2.9 sections	3.0	sections	250.00	750
	wall-mounted display boards for posters etc.	TBD	boards		
11.4	**Computers for Children - NONE INCLUDED IN THIS ESTIMATE**				
11.5	**Children's Circulating Books**				
	shelving, 66" for J fiction & genre (includes paperbacks)	20.6	sections		
	shelving, 66" for J nonfiction (includes paperbacks)	34.1	sections		
	shelving, 66" for J International languages bks	12.7	sections		
		67.4			
		68.0	sections	300.00	20,400
11.6	**Children's Audiovisual Media**				
	shelving, 66" for J videos	3.3	sections		
	shelving, 66" AV browsing for DVDs	0.4	sections		
	shelving, 66" AV browsing sh for J music CDs	1.0	sections		
	shelving, 66" for J audiobooks	2.0	sections		
	shelving, 66" sh w hanging rds for AV kits	0.8	sections		
	shelving, 66" for new format	0.2	sections		
	subtotal	7.8			
		8.0	sections	550.00	4,400

RICHMOND BRANCH LIBRARY RENOVATION AND EXPANSION, SAN FRANCISCO, CALIFORNIA					
COST ESTIMATE FOR SHELVING AND CASEWORK					
	LOCATION / ITEM DESCRIPTION	QUANTITY	UNIT	UNIT COST	TOTAL
11.7	**Children's Picture Books**				
	shelving, 48"w/12" shelf, for picture bks, 15.5 sections, say 16	16.0	sections	350.00	5,600
12.1	**Teen Area**				
	shelving, 84" for teen fiction & genre (includes paperbacks)	4.5	sections		
	shelving, 84" for teen nonfiction (includes paperbacks & college prep)	5.4	sections		
	shelving, 84" for teen graphic novels	1.4	sections		
	shelving, 84" for teen international languages	2.7	sections		
	subtotal	14.1			
		14.0	sections	325.00	4,550
	shelving, 84" for teen videos	0.1	sections		
	shelving, 84" for teen DVDs	0.2	sections		
	shelving, 84" for teen audiobooks	0.3	sections		
	shelving, 84" for new format	0.1	sections		
	subtotal	0.6			
		1.0	sections	1050.00	1,050
	shelving, 66" AV browsing, teen music CDs, 0.4 section	1.0	sections	550.00	550
	shelving, 84" slanted for mag display	1.0	sections	500.00	500
13.1	**Children's Services Staff Workroom**				
	sections full-ht shelving	2.0	sections	325.00	650
	shelving, 84" for programming collection	1.0	sections	325.00	325
	mail/delivery sorting counter, 6' x 3', w/ fax on counter & pigeon holes above	1.0	counter	2000.00	2,000
13.2	**Staff Break Room**				
	kitchen counter with sink, 8' long x 3' deep & cabinets	1.0	lot	3000.00	3,000

RICHMOND BRANCH LIBRARY RENOVATION AND EXPANSION, SAN FRANCISCO, CALIFORNIA

COST ESTIMATE FOR SHELVING AND CASEWORK

	LOCATION / ITEM DESCRIPTION	QUANTITY	UNIT	UNIT COST	TOTAL
13.3	Staff Restrooms - NONE INCLUDED IN THIS ESTIMATE				
14.1	Library Storage - NONE INCLUDED IN THIS ESTIMATE				
14.2	Custodial Closet Lower Level - NONE INCLUDED IN THIS ESTIMATE				
14.3	Telephone/Electrical Room - NONE INLCUDED IN THIS ESTIMATE				
14.4	Mechanical Room - NONE INCLUDED IN THIS ESTIMATE				
	TOTAL				182,865
	discounted 10%				-18,287
	TOTAL PURCHASED COST				164,579
	SALES TAX - 8.5%				13,989
	FREIGHT - 8%				13,166
A	TOTAL PURCHASED COST INCL. TAX & FREIGHT				191,734
	LABOR FOR INSTALLATION - 4 men crew x 8 hrs x 10 days = 320 hours	HRS	RATE/HR		
	UNLOADING				
	UNCRATING				
	ASSEMBLING , SETTING AND ANCHORING				
	CLEANUP				

RICHMOND BRANCH LIBRARY RENOVATION AND EXPANSION, SAN FRANCISCO, CALIFORNIA					
COST ESTIMATE FOR SHELVING AND CASEWORK					
	LOCATION / ITEM DESCRIPTION	QUANTITY	UNIT	UNIT COST	TOTAL
B	TOTAL LABOR COST including truck & equipment used	320.0	45		14,400
	TOTAL DIRECT COST OF SHELVING & CASEWORK INSTALLED				206,134
	A + B				
	CONTRACTOR'S MARKUP -10%				20,613
	TOTAL ESTIMATED COST OF SHELVING & CASEWORK				226,747
	TOTAL ESTIMATED COST OF SHELVING & CASEWORK W/ CONTINGENCY				260,759

Richmond Branch Library Renovation/Expansion Project

Item	# of Items	Type	$ per Unit	Total
bar code reader, in-counter	2.0	machine	5,000	10,000
bin for community information papers, etc.	1.0	bins	470.00	470
bins, return	6.0	bins	1000.00	6,000
board, bulletin	5.0	boards	420.00	2,100
board, display, wall-mounted	2.0	boards	500.00	1,000
board, white, wall-mounted	3.0	board	500.00	1,500
book truck	26.0	trucks	820.00	21,320
cabinet, supply	2.0	cabinet	750.00	1,500
cart, AV	1.0	cart	2700.00	2,700
cash register	2.0	machine	800.00	1,600
chair @ 4-pl table, round for toddlers	4.0	seats	350.00	1,400
chair, guest	1.0	chair	650.00	650
chair, lounge w/tablet arm	8.0	seats	2000.00	16,000
chair, lounge, 2-place	1.0	seats	2000.00	2,000
chair, task (staff)	14.0	chair	$ 500.00	7,000
chair, task, tall (staff)	3.0	chair	500.00	1,500
chair@ 4-pl table	44.0	seats	600.00	26,400
chair@ 4-pl table, round	8.0	seats	600.00	4,800
chair@ 4-pl table, round, staff	4.0	seats	300.00	1,200
chairs, stacking	50.0	seats	300.00	15,000
chairs, task (public computer stations)	20.0	seats	500.00	10,000
clocks (wall mounted)	4.0	unit	200.00	800
coat rack	1.0	racks	600.00	600
computer workstation, staff	17.0	computer	3000.00	51,000
computer, server, mini (rack-mounted)	1.0	computer	20000.00	20,000
computer workstn, public	20.0	wkstns	2800.00	56,000

computer, laptop for program room (public)	12.0	wkstns	2500.00	30,000	
copy machine, standard	1.0	machines		0	leased
dolly for folding tables/chairs	2.0	dolly	600.00	1,200	
express self-checkout machine	4.0	machine	28000.00	112,000	
express self-checkout machine stand	4.0	stand	1200.00	4,800	
fax machine, on counter	2.0	machine	2000.00	4,000	
file, lateral	2.0	file	900.00	1,800	
file, lateral under counter	6.0	files	800.00	4,800	
file, vertical	2.0	file	750.00	1,500	
floor mats	4.0	mats	175.00	700	
laptop storage cart, mobile (self-contained power)	1.0	cart	2300.00	2,300	
lecturn	1.0	lecturn	2500.00	2,500	
lockers, half-height @ 5sf per stack	12.0	lockers	200.00	2,400	
mail boxes, staff (24 slots)	1.0	unit	975.00	975	
microwave oven	1.0	unit	600.00	600	
printer, public, networked	5.0	printer	3000.00	15,000	
printer, receipt	3.0	printer	800.00	2,400	
printer, staff, networked (B/W)	4.0	printer	800.00	3,200	
printer, staff, networked (color)	1.0	printer	1500.00	1,500	
projection system, ceiling mounted w/console	1.0	system	2660.00	2,660	
projector, portable AV & PC LCD/DLP	1.0	projector	5500.00	5,500	
recycling containers	2.0	container	500.00	1,000	
refrigerator, full height	1.0	refrigerator	1500.00	1,500	
scanner, public, networked	1.0	scanner	3600.00	3,600	
screen, wall/ceiling mounted	1.0	screen	1900.00	1,900	
seating, floor system, washable for toddlers	10.0	seats	150.00	1,500	
security system sensitizer/desensitizer (in-counter)	2.0	unit	3750.00	7,500	
service desk, custom	2.0	desk	3500.00	7,000	
service desk, custom	2.0	desk	3500.00	7,000	
slatwall w/acrylic holders for community information distribution	2.0	wall display	600.00	1,200	

table, round	3.0	table	1600.00	4,800	
table, round, toddler sized	1.0	table	1500.00	1,500	
table, café (staff)	1.0	table	450.00	450	
technology carrel, (1 person)	18.0	table	3000.00	54,000	
technology carrel, (2 person)	2.0	table	3500.00	7,000	
telecommunications equipment/Hub/Multiplexer	1.0	computer	3000.00	3,000	
theft security gates (2 gates for 1 corridor)	2.0	pair	14000.00	28,000	
TV Monitor, 50" projection large screen	1.0	unit	3000.00	3,000	
waste containers	20.0	containers	50.00	1,000	
workstation, supervisor's office system	1.0	wkstns	8000.00	8,000	
workstation, returns, adjustable	1.0	wkstns	4800.00	4,800	
workstation, staff, 6' x 6'	7.0	wkstns	7200.00	50,400	
workstation, staff, 5' x 6'	1.0	wkstns	5500.00	5,500	
workstation, staff, 6' x 8'	2.0	wkstns	8000.00	16,000	
Table, accessible - Adj height (manual)	1	table	1800.00	1,800	
ADA related equipment (i.e. reading machine,				0	
touch screen moniter, alternate mouse)	1	wkstns	7000.00	7,000	
SIGNAGE FOR THE BRANCH				30,000	
TOTALS	**427.0**			**$744,795**	

Please Note: Signage costs ($30,000) are not included in the Furniture & Equipment line in the project application

Attachment V

Job No: 7513A DATE: 3/10/04

Project: Richmond Branch Library Renovation & Expansion Location: 9th. Avenue between Geary & Clement

PROFESSIONAL SERVICES PROVIDED BY OR THROUGH DEPARTMENT OF PUBLIC WORKS (Lines 12 - 21)

(LINE # REFERENCES PROP 14 APPLICATION PAGE 25)

	A/E Costs Line 12	Cost Est Line 13	Int Des Line 14	Geotech Line 15	Haz Mat Line 16	App Costs Line 17	Lib Consult Line 18	CM Costs Line 19	Other Profl Line 20	Ineligible Line 21	TOTAL
TOTALS	1,302,329	30,000	75,000	19,000	30,000	56,790	58,381	306,000	86,000	400,000	2,363,500
3. PROJECT CONTROL											
3.2 CLIENT DEPARTMENT SERVICES											
3.2.1 Project & Bond Administration										400,000	400,000
3.3 A/E/C SERVICES											
3.3.1 Geotech., Surveys, and Data Collection											
3.3.1.1 Hazardous Materials Assessments					5,000						5,000
3.3.1.2 Geotechnical Report				19,000							19,000
3.3.1.3 Surveys									10,000		10,000
3.3.1.4 Energy Audit						5,000					5,000
3.3.2 Basic A/E Services											
3.3.2.1 Basic A/E Design											
Architecture	520,651										520,651
Structural	127,057										127,057
Mechanical	82,000										82,000
Electrical	69,096										69,096
3.3.2 2 Basic A/E Construction Admin.											
Architecture	156,000										156,000
Structural	30,000										30,000
Mechanical	20,000										20,000
Electrical	19,000										19,000
3.3.3 Additional A/E Services											
3.3.3.1 Historic Preservationist	5,000										5,000
3.3.3.2 Contract Preparation	4,000										4,000
3.3.3.3 Library Planner							58,381				58,381
3.3.3.4 Environmental Review	15,000										15,000
3.3.3.5 Investigate Existing/ Measured Drawings											
Architectural	26,000										26,000
Structural	11,400										11,400
Testing Program						41,570					41,570
Mechanical	2,000										2,000
Electrical	2,000										2,000
Landscape	2,210										2,210
3.3.3.6 Design Workshop	65,915										65,915
3 3.3.7 Hazardous Materials Specifications					10,000						10,000
3.3.3.8 Landscape Architecture	100,000										100,000
3.3.3.9 Interior Design			75,000								75,000
3.3.3.10 Graphic Design									25,000		25,000
3.3.3.11 Lighting Design	20,000										20,000
3.3.3.12 Architectural for P14 Application						10,220					10,220
3.3.3.13 Detailed Cost Estimates		30,000									30,000
3.3.3.14 Reproduction	25,000										25,000
3.3.4 Construction Services											
3.3.4.1 Construction Management								306,000			306,000
3.3.4.2 Materials Testing and Inspection									51,000		51,000
3.3.4.3 Hazardous Materials Abatement Monitoring					15,000						15,000

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City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Supervisors

Clerk: Linda Laws

Wednesday, March 26, 2003 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

MEETING CONVENED

The meeting convened at 12:35 p.m.

REGULAR AGENDA

030357 **[Management Letters, City audit for Fiscal Year 2001-02.]**

Supervisor Peskin

Hearing to consider the Management Letters related to the City audit for Fiscal Year 2001-02 as presented by the City's external auditors. This hearing is required under Charter Section 9.117.

3/4/03, RECEIVED AND ASSIGNED to Finance and Audits Committee. Sponsor requests this item be scheduled for the March 26, 2003 meeting.

Heard in Committee. Speakers: Ed Harrington, Controller; Tiffany Ann Rasmussen, KPMG LLP; Liz Merrick, Karling & Associates LLP; Raoul Hernandez, Hood & Strong LLP.

FILED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

030348 **[2003 Mortgage Revenue Draw Down Bonds]**

Mayor, Supervisor Peskin

Resolution authorizing the issuance, sale and delivery of City and County of San Francisco Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1, in an aggregate principal amount not to exceed $49,000,000; authorizing the execution and delivery of a Trust Indenture, and a Bond Purchase Contract; Authorizing the Mayor, in consultation with the City Attorney, to make any necessary or advisable modifications, changes, or additions to any of the bond documents and authorizing the execution and delivery of and approving other related documents and actions in connection therewith. (Mayor)

(No Public Benefit Recipient.)

3/4/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Daryl Higashi and Joe LaTorre, Mayor's Office of Housing; Harvey Rose, Budget Analyst.
Supervisor Peskin requested to be added as a co-sponsor.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

030349 **[2003 Mortgage Revenue Single Family Housing Bonds]**

Mayor, Supervisor Peskin

Resolution authorizing the issuance, sale and delivery of City and County of San Francisco Single Family Mortgage Revenue Bonds (GNMA and Fannie Mae Mortgage-Backed Securities Program) Series 2003-A in an aggregate principal amount not to exceed $17,635,000; authorizing the execution and delivery of a Trust Indenture, an Origination, Servicing and Administration Agreement, a 2003 Home Mortgage Assistance Trust Agreement, a Bond Purchase Contract, and an Official Statement; Authorizing the Mayor, in consultation with the City Attorney, to make any necessary or advisable modifications, changes, or additions to any of the bond documents and authorizing the execution and delivery of and approving other related documents and actions in connection therewith. (Mayor)

(Public Benefit Recipient.)

3/4/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Daryl Higashi and Joe LaTorre, Mayor's Office of Housing; Harvey Rose, Budget Analyst.
Supervisor Peskin requested to be added as a co-sponsor.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

030315 [Fleet Management Program]

Supervisor Peskin

Ordinance amending the San Francisco Administrative Code by repealing existing Section 4.10-1 and adding a new Section 4.10-1, to place all City general purpose vehicles under the jurisdiction of the Director of Administrative Services as part of a comprehensive fleet management program.

2/25/03, ASSIGNED UNDER 30 DAY RULE to Land Use Committee, expires on 3/27/2003.

3/6/03, TRANSFERRED to Finance and Audits Committee. March 6, 3003 - Memo from Supervisor Peskin requesting this item be transferred to Finance and Audit Committee and that the 30-Day Rule be waived.

Heard in Commitee. Speakers: Darryl Burton, Karen Hong, Jim Johnson, Ara Minasian, Nancy Johnston-Bellard, Department of Administrative Services; Harvey Rose, Budget Analyst; Ed Harrington, Controller; Ben Rosenfield, Mayor's Office.

3/26/03 At page 2 line 1 after "CITY-OWNED" add "AND LEASED". At page 2 line 21 add "(d) The Director of Administrative Services shall submit an initial vehicle maintenance program to the Board of Supervisors by May 16, 2003. The Director shall submit a report on proposed lease fees to the Board no later than May 16, 2003. The Director shall submit an initial vehicle replacement plan to the Board no later than December 1, 2003."

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030410 [Reserved Funds, Administrative Services]

Hearing to consider release of reserved funds, Administrative Services (fiscal year 2002-2003 budget) in the amount totaling $3,088,926 on vehicle maintenance of various City departments. (Administrative Services Department)

3/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Commitee. Speakers: Darryl Burton, Karen Hong, Jim Johnson, Ara Minasian, Nancy Johnston-Bellard, Department of Administrative Services; Harvey Rose, Budget Analyst; Ed Harrington, Controller; Ben Rosenfield, Mayor's Office.

APPROVED AND FILED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 2:25 p.m.

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CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

March 20, 2003

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: March 26, 2003 Finance and Audits Committee Meeting

Items 2 and 3 – Files 03-0348 and 03-0349

Department: Mayor's Office of Housing (MOH)

Item 2 – File 03-0348

Item: Resolution authorizing the issuance, sale, and delivery of City and County of San Francisco tax-exempt Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1, in an aggregate principal amount not to exceed $49,000,000; and authorizing the execution and delivery of a Trust Indenture and a Purchase Contract; Authorizing the Mayor, in consultation with the City Attorney, to make any necessary or advisable modifications, changes, or additions to any of the bond documents and authorizing the execution and delivery of and approving other related documents and actions in connection therewith.

Amount of Bond Issuance: Not to exceed $49,000,000

Source of Funds: Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1

Item 3 – File 03-0349

Item: Resolution authorizing the issuance, sale and delivery of City and County of San Francisco tax-exempt Single Family Mortgage Revenue Bonds (GNMA and Fannie Mae Mortgage-Backed Securities Program) Series 2003-A in an aggregate principal amount not to exceed $17,635,000; authorizing the execution and delivery of a Trust Indenture, an Origination, Servicing and Administration Agreement, a 2003 Home Mortgage Assistance Trust Agreement, a Bond Purchase Contract, and an Official Statement; Authorizing the Mayor, in consultation with the City Attorney, to make any necessary or advisable modifications, changes, or additions to any of the bond documents and authorizing the execution and delivery of and approving other related documents and actions in connection therewith.

Amount: Not to exceed $17,635,000

Source of Funds: Single Family Mortgage Revenue Bonds

Description: The Board of Supervisors adopted Ordinance 245-81 in May of 1981, establishing the Residential Mortgage Revenue Bond Program. Under the Residential Mortgage Revenue Bond Program, the City issues tax-exempt revenue bonds to finance mortgages for low-income first time home buyers in San Francisco. According to Mr. Joe La Torre of the MOH, since 1982, the City has issued $203,000,000 tax-exempt Single Family Mortgage Revenue Bonds, which has assisted approximately 856 home buyers.

The City is limited by the Federal Internal Revenue Code in the amount of tax-exempt Single Family Mortgage Revenue Bonds that the City can issue. The Internal Revenue Code permits the State to grant local governments with the authority to issue tax-exempt bonds, called private-activity bonds, to be used for private purposes, such as financing single family home mortgages. The Internal Revenue Code places a statewide cap on the amount of tax-exempt private-activity bonds that local governments within the State

can issue. In California, the California Debt Limit Allocation Committee (CDLAC) authorizes the amount of tax-exempt private activity bonds that local government agencies can issue. In March of 2003, CDLAC allocated $8,643,906 to the City and County of San Francisco for issuance of tax-exempt Single Family Mortgage Revenue Bonds.

Because the City is limited in the amount of tax-exempt Single Family Mortgage Revenue Bonds that it can issue, the Mayor's Office of Housing (MOH) is proposing to issue two Bond series, which would increase the amount of available funds to finance mortgages, as follows:

- Under File 03-0348, the City would issue tax-exempt Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1, in an aggregate principal amount not to exceed $49,000,000.
- Under File 03-0349, the City would issue tax-exempt Single Family Mortgage Revenue Bonds in an amount not to exceed $17,635,000.

File 03-0348

In 1999, the Board of Supervisors adopted Resolution 842-99, which authorized the MOH to issue up to $25,000,000 in tax-exempt Single Family Mortgage Revenue Refunding Bonds. The purpose of the 1999 Single Family Mortgage Revenue Refunding Bonds was to refund outstanding tax-exempt Single Family Mortgage Revenue Bonds with short term tax-exempt Refunding Bonds. Single Family Mortgage Revenue Bonds are repaid from the principal and interest payments of the mortgages. However, by repaying the Single Family Mortgage Revenue Bonds from Refunding Bonds rather than from mortgage repayments, the mortgage repayments become a source of funds to finance additional mortgages.

Pursuant to Resolution 842-99, the MOH established a "draw down facility" or holding account. Currently, the "draw down facility" has a balance of $15,177,000, which are funds from the previous repayment of mortgages. The balance in the "draw down facility" is earmarked for

redeeming the 1999 Single Family Mortgage Revenue Refunding Bonds when they mature on June 1, 2003. According to Mr. La Torre, proceeds from the sale of the proposed Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1 would be used to redeem the tax-exempt 1999 Single Family Mortgage Revenue Refunding Bonds instead of using the "draw down facility" balance of $15,177,000, thus releasing the $15,177,000 "draw down facility" balance to finance additional new mortgages.

The MOH has requested authority to issue not to exceed $49,000,000 in tax-exempt Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1. According to Mr. La Torre, the MOH is requesting this authority for the following purposes, totaling $48,740,906:

- $15,177,000 to refund the 1999 Single Family Mortgage Revenue Refunding Bonds;
- $7,920,000 to fund 1994 Single Family Mortgage Revenue Bonds;
- $8,643,906 to fund the CDLAC allocation, which is part of the proposed Single Family Mortgage Revenue Bond issuance, discussed in File 03-0349.
- Approximately $17,000,0000 to refund anticipated 2004 and 2005 CDLAC allocations, of approximately $8,500,000 each.

The mechanism for refunding these bonds, including future CDLAC allocations, is discussed below.

File 03-0349

The MOH proposes issuing not to exceed $17,635,000 in tax-exempt Single Family Mortgage Revenue Bonds, Series 2003-A to fund mortgages for low-income first time home buyers. According to Mr. La Torre, MOH estimates that this amount of $17,635,000 is sufficient to originate approximately 70 mortgages assuming an average mortgage amount of $250,000, as noted in Attachment I. According to Mr. La Torre, MOH seeks authority to issue not to exceed $17,635,000, based on:

- $8,643,906 CDLAC allocation in 2003; and
- $8,991,094 mortgage repayments from prior tax-exempt Single Family Mortgage Bonds.

Mr. La Torre states that the IRS permits the City to issue new tax-exempt Single Family Mortgage Revenue Bonds, based on either new authority from CDLAC to issue Bonds or refunding of prior tax-exempt Single Family Mortgage Revenue Bonds.

Files 03-0348 and 03-0349

According to Mr. La Torre, the MOH would use tax-exempt Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1 proceeds and tax-exempt Single Family Mortgage Revenue Bonds, Series 2003-A as follows:

- The MOH would not initially issue the full amount of each Bond authorization.

  (a) Upon Board of Supervisors approval, the MOH would issue $23,820,906 of the $49,000,000 Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1. The Bond proceeds of $23,820,906 would be deposited in the "draw down facility", as follows:

  - $15,177,000 would refund the 1999 Single Family Mortgage Revenue Refunding Bonds. As previously noted, without the deposit of the subject Bond proceeds, the existing '"draw down facility" balance of $15,177,000 would redeem the 1999 Single Family Mortgage Revenue Refunding Bonds when they mature on June 1, 2003, leaving a $0 balance in the "draw down facility". According to Mr. La Torre, by using Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1 proceeds to redeem the 1999 Refunding Bonds, the "draw down facility" balance would be

maintained at $15,177,000 (see discussion below).

- $8,643,906, which equals the CDLAC allocation, would be deposited in the "draw down facility" as a source of funds to finance additional new Single Family Mortgage Revenue Bonds.

The total initial Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1 issuance would be $23,820,906, which would be held in the "draw down facility", resulting in a "draw down facility" balance of $23,820,906.

(b) The MOH would not issue any of the $17,635,000 in Single Family Mortgage Revenue Bonds, Series 2003-A (File 03-0349) until September 1, 2003, and would issue the Bonds in increments of approximately $2,000,000 to $3,000,000 between September 1, 2003 and August, 2004.

- According to Mr. La Torre and as discussed in Attachment I, the MOH would "close" on the Bond issuance on or about April 8, 2003, but would not complete the sale of the Bonds at that time. The MOH would enter into an agreement with the Bond purchaser, the Federal National Mortgage Association (Fannie Mae Securities) in which Fannie Mae would begin purchasing the Bonds on September 1, 2003. Mr. La Torre states that MOH is proposing the delay in the Bond sale to reduce potential losses from interest rate differences. According to Mr. La Torre, because of low interest rates, Bond proceeds which are deposited into an investment account would have interest earnings of approximately 1.5 percent. However, the bondholders would receive approximately 5.0 percent interest on the Bonds, resulting in a 3.5 percentage point difference. Although the bondholders would be paid from the principal and interest of the mortgages, because of the

time required to approve mortgage applications and finance mortgages, there is a delay in financing mortgages which repay the bondholders, resulting in the Bond proceeds remaining in the investment account and accruing low interest of approximately 1.5 percent for the period between bond closing and loan origination. According to Mr. La Torre, mortgage lenders, such as private banks, would approve and finance mortgages from the lenders' assets, and Fannie Mae would purchase the subject Bonds and repay the lenders for the amount of the mortgages. By this mechanism, according to Mr. La Torre, the City would avoid potential losses from interest rate differences.

- Mr. La Torre states that, commencing September 1, 2003, the City would sell the Single Family Mortgage Revenue Bonds, Series 2003-A, which are authorized in an amount not to exceed $17,635,000, on an incremental basis. As noted in Attachment I, the City would sell the Bonds in sub-series of approximately $2,000,000 to $3,000,000 from September 1, 2003, through approximately August, 2004.

- According to Mr. La Torre and as discussed in Attachment I, the two Bond issuances would work together as follows:

  (a) The City would hold $23,820,906 in the "draw down facility".

  (b) When Fannie Mae purchases the initial $2,000,000 in Single Family Mortgage Revenue Bonds, Series 2003-A, on September 1, 2003, the $2,000,000 in Bond proceeds would be forwarded to the Trustee for the Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1. The Trustee would use the $2,000,000 to redeem $2,000,000 in Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1. By redeeming the $2,000,000 in Draw Down Bonds, the "draw down facility"

liability would be reduced from the present balance of $23,820,906 to $21,820,906. Therefore, $2,000,000 would be released to finance additional new mortgages.

- Mr. La Torre states that, as the City sells the total authorized amount of not to exceed $17,635,000 of Single Family Mortgage Revenue Bonds, Series 2003-A, the "draw down facility" balance would be reduced by the same amount, thus releasing funds for mortgages of equal value. Mr. La Torre advises that, under this scenario, the "draw down facility" would have a remaining balance of $6,185,906 ($23,820,906 less $17,635,000) after all loans are originated.

- According to Mr. La Torre, the MOH anticipates seeking authority from the Board of Supervisors in 2004 and 2005 to issue new tax-exempt Single Family Mortgage Revenue Bonds. According to Mr. La Torre, the future Bond issuances would work as follows:

  (a) The MOH would seek authorization from the Board of Supervisors in 2004 and in 2005 to issue new tax-exempt Single Family Mortgage Revenue Bonds. Mr. La Torre advises that MOH would seek Board of Supervisors authorization for new tax-exempt Single Family Mortgage Revenue Bonds in 2004, totaling approximately $14,685,906, which equals the estimated 2004 CDLAC allocation of $8,500,000 plus the estimated "draw down facility" balance of $6,185,906. The MOH would seek Board of Supervisors authorization for new tax-exempt Single Family Mortgage Revenue Bonds in 2005, totaling approximately $16,420,000, which equals the estimated 2005 CDLAC allocation of $8,500,000 million, plus an estimated $7,920,000 in mortgage repayments from tax-exempt 1994 Single Family Mortgage Revenue Bonds. Therefore, the total tax-exempt Single Family Mortgage Bonds would be $48,740,906, which includes $17,635,000 (File 03-0349), plus an estimated $14,685,906 in 2004, plus an estimated $16,420,000 in 2005.

(b) The MOH would issue additional sub-series of the not to exceed $49,000,000 tax-exempt Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1, in amounts equal to the estimated $24,920,000 in new tax-exempt Single Family Mortage Revenue Bonds. Therefore, the total estimated amount of the tax-exempt Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1 (File 03-0348) is $48,740,906 ($23,820,906 in the initial sub-series, plus an estimated $24,920,000 in additional sub-series).

Comments:

1. The general provisions of the sale of the not to exceed $17,635,000 tax-exempt Single Family Mortgage Revenue Bonds, Series 2003-A (File 03-0349) would be as follows:

- The sale of the bonds would first occur on April 8, 2003.
- The bonds would be issued at variable interest rates not to exceed twelve percent and would have a term of 30 years, with a final maturity not later than December 1, 2036.
- The following documents are included with the proposed resolution for approval by the Board of Supervisors (1) an Official Statement describing the bonds to be issued (2) an Origination, Servicing and Administration Agreement and (3) a Trust Indenture.

2. Mr. LaTorre states that the City, has agreed to sell the tax-exempt Single Family Mortgage Revenue Bonds, Draw Down, Series 2003-1 in an amount not to exceed $49,000,000 to Merrill Lynch Portfolio Management Inc., subject to Board of Supervisors' approval of the proposed resolution.

3. Mr. LaTorre reports that the estimated tax-exempt Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1 bond issuance costs would not exceed $100,000, as shown in Attachment I (File 03-0348), and that these costs would be paid from the Mayor's Office of Housing's Home Ownership Assistance Loan Fund. Tax-exempt Single Family Mortgage Revenue Bonds, Series

2003-A bond issuance costs of approximately $225,000 would be paid from the Home Ownership Assistance Loan Fund, as noted in Attachment I(File 03-0349).

4. According to Mr. Mark Blake of the City Attorney's Office, the City has no legal obligation to use General Fund monies to pay bondholders of either the original single family mortgage revenue bonds, the Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1 (File 03-0348) or the Single Family Mortgage Revenue Bonds, Series 2003-A (File 03-0349).

5. The proposed resolution includes language stating that the Mayor would be authorized, in consultation with the City Attorney, to make any necessary or advisable modifications, changes, or additions to any of the bond documents. Mr. Blake advises that this language is meant to provide limited flexibility for non-substantive changes to the documents that will be approved by the Board of Supervisors. The language is not intended to provide, and does not provide, an ability by the Mayor's Office of Housing to change (i) the security for the Bond issue, (ii) the purpose for which the Bonds are issued, or (iii) the maturity of the Bonds.

6. Attachment II is the debt service schedule for the Single Family Mortgage Revenue Bonds, Series 2003-A (File 03-0349). As noted in Attachment II, the Single Family Mortgage Revenue Bonds would have a term of 32 years, with a maturity date of May 1, 2035. According to Mr. La Torre, the MOH has not developed a debt service schedule for the Single Family Mortgage Revenue Bonds, Draw Down Series 2003-1 (File 03-0348) because bond interest will be paid from interest on the investment account on a monthly variable rate basis and principal paid as bonds are redeemed.

Recommendation: Approve the proposed resolution.

MEMORANDUM

Mayor's Office of Housing

March 19, 2003

TO: Salvador Sanchez, Budget Analyst

FROM: Joe LaTorre

SUBJECT: File 03-0348 – 2003 Mortgage Revenue Draw Down Bonds
File 03-0349 – 2003 Mortgage Revenue Single Family Housing Bonds

You have requested additional information regarding the above referenced resolutions which have been proposed by the Mayor's Office of Housing to further the City's first time homebuyer finance program. I am pleased to provide the information you requested as requested below.

File 03-0348 – 2003 Mortgage Revenue Draw Down Bonds

1. Does the authorization for the Mayor, in consultation with the City Attorney, to make "modifications, changes, or additions to any of the bond documents" (as referred to in the legal title) constitute authorization to make substantive or material changes, or would changes be minor and non-substantive in nature?

It is our understanding that the documents are required to be in "substantially final" form, and that the changes would need to be deemed non-substantive by the City Attorney.

2. Provide a summary of the drawdown bonds, including their purpose, their relationship to the Mortgage Revenue bonds (File 03-0349), and the amounts of bonds that will be issued.

The drawdown bonds are being issued to extend the life of a program established in 1999 by Resolution 842-99. That program allowed the Mayor's Office of Housing to "recycle" mortgage repayments received under prior year mortgage revenue bonds for use in making new loans. This capacity is important because the City is limited in its ability to issue new tax-exempt bonds to finance first time homebuyer mortgage loan programs. The "recycling" of earlier repayments allow those funds to be combined with new tax-exempt bond authority to increase the size of the City's program.

The mechanics of the drawdown program is as follows: the Bond trustee of the prior bond deals (issued from 1982 to 1994) receives principal and interest payments from the mortgagors under those deals. Those payments would normally be used to pay principal and interest on the bonds of those deals. However, to preserve availability of the repayments, the City sells new bonds to the drawdown facility provider (Merrill Lynch). The proceeds of those new bond sales are transferred to the prior Bond trustee to pay off the prior bonds. The preserved principal and

interest payments are transferred to the drawdown bond trustee to be held for future use. From 1999 to the present, the City has recaptured $15,177,000 from prior bond issues.

As a practical matter, the recaptured funds must be combined with new tax-exempt authority to create a viable program. This is because the tax code limits the term of mortgages funded with recycled proceeds to 32 years from the original date the prior bonds were issued. Thus, bonds issued in 1982 must have mortgages which would mature by, at the latest, 2014. Clearly, an 11-year mortgage would have prohibitively high monthly payments, and would not be beneficial to moderate income first time homebuyers.

The solution to this problem is to combine new tax-exempt issuance with recycled proceeds. Because mortgage loans generate a steady stream of payments over the 30-year life of the mortgage, payments from early years can pay off the bonds issued as "refunding" the prior bond issues, and from later years pay off the bonds issued using the new allocation.

Thus, the City is proposing to continue the drawdown facility to "warehouse" the funds previously recaptured, and to continue to recapture proceeds from the 1994 mortgage revenue bond program which remains active ($7,920,000 in bonds are outstanding). In addition, the new tax-exempt authority would also need to be warehoused until it is needed to make bond loans, since the rules of the California Debt Limit Allocation Committee (CDLAC) require that bonds be issued within 90 days of the City's receiving allocation.

The bond purchase contract with Merrill Lynch provides that Merrill agrees to purchase up to $49,000,000 of drawdown bonds. This amount has been determined as the sum of the following: the amount currently in the 1999 drawdown facility ($15,177,000); the amount which could be available if the 1994 bonds are completely recaptured ($7,920,000); the 2003 new tax-exempt bond allocation ($8,643,906); and an estimate of tax-exempt allocation which may be available to the City in 2004 and 2005 ($8.5 million for each year). All of these amounts would require issuance of drawdown bonds.

Upon bond closing, the drawdown bonds will be sold to Merrill Lynch in an amount equal to pay off the 1999 drawdown bonds and transfer the recaptured proceeds to the new drawdown facility ($15,177,000) and to warehouse the new tax-exempt issuance authority to be received from CDLAC on March 26 ($8,643,906). Thereafter, the City will issue additional drawdown bonds to recapture additional 1994 bond authority (up to $7,920,000) and to warehouse proceeds of 2004 and 2005 tax-exempt issuance authority (up to amounts remaining under the $49,000,000 maximum issuance).

Funds available in the drawdown facility (initially $23,820,906) would be available to the first time homebuyer mortgage program. However, because the drawdown bonds are subject to redemption in 2006, they cannot be used directly to finance 30 year mortgages. This is the function of the mortgage revenue bonds issued pursuant to File 03-0349, and is described below.

3. Describe the uses of the bond proceeds, source of bond repayment, and the sources and uses of costs of issuance.

The drawdown bond proceeds will be used (a) to pay off prior bonds as described in paragraph 2 ($15,177,000 of 1999 drawdown bonds and up to $7,920,000 of 1994 mortgage revenue bonds) and to reserve additional funds for mortgage loans derived from the 2003, 2004 and 2005 new tax-exempt issuance authority. The 1999 drawdown bonds will be paid off at bond closing (scheduled for April 8, 2003). The 1994 mortgage revenue bonds will be paid off whenever sufficient repayments occur during the life of the drawdown program. Additional funds from new allocation will be deposited at bond closing or shortly thereafter from the 2003 tax-exempt authority allocation, and after allocations are received in 2004 and 2005.

The drawdown bonds will be repaid as funds are drawn from it to finance new mortgage loans under the 2003 home mortgage finance program. The schedule for drawing these funds is described below. Funds not required for the 2003 program ($17,635,000) will be held for the 2004 and 2005 programs, after sufficient new tax-exempt authority is received to fund new mortgages. Any amounts not drawn from the fund will be used to redeem drawdown bonds at the conclusion of the program in 2006.

Interest will be paid to the bondholder, Merrill Lynch, only from the interest available from investment income received by the drawdown bond trustee from the funds held by the trustee. The City has no liability to pay interest or principal from any source other than the funds held by the trustee and income from those funds.

MOH estimates bond issuance costs to be as follows:

Bond Counsel Hawkins, Delafield and Wood	$ 30,000
Expenses	1,750
Future Drawdowns (6 x $1500 each)	9,000
Financial Advisor CSG Advisors	12,500
Trustee US Bank	3,500
City Attorney	10,000
Mayor's Office of Public Finance	5,000
California Debt Limit Allocation Committee	10,000
Contingency and Misc. (CUSIP, DTC, etc..)	18,250
TOTAL	**$ 100,000**

The resolution provides for authority for the Mayor's Office of Housing to expend not more tha $100,000 for costs of issuance from funds currently available in the Homeownership Assistance Loan Fund established under Section 10.100-108 of the Administrative Code.

File 03-0349 – 2003 Mortgage Revenue Single Family Housing Bonds

1. Provide a summary of the single family housing bonds, including their purpose, their relationship to the drawdown bonds (File 03-0348), and the amounts of bonds that will be issued.

As noted above, the combination of new allocation and monies available from the refunding of earlier bond issues limits the maximum of bonds which it is feasible to issue for the 2003 first time homebuyer mortgage program to $17,635,000. The proceeds of these bonds will be entirely used to finance mortgage loans to first time homebuyers under the program.

The mechanism of the bond issuance differs from that of other types of bond issuance, in that the full amount of the bonds will not be issued immediately. Instead, the Mayor's Office of Housing and the bond purchaser, Fannie Mae, will utilize the formula provided in the bond purchase agreement to set an interest rate for individual subseries of bonds to be issued over a period of approximately one and a half years. On May 1, 2003, the City expects to enter into an agreement to deliver (through participating lenders, or "Participants") approximately $2 million of mortgage loans to the housing bond trustee on September 1, 2003.

The housing bond trustee would then issue and deliver $2 million in bonds to Fannie Mae, and Fannie Mae would provide $2 million in sale proceeds to the trustee. The housing bond trustee would forward the $2 million to the drawdown bond trustee, which would be used to pay off a like amount of drawdown bonds. The drawdown bond trustee would then release $2 million in the funds held in the drawdown facility back to the housing bond trustee. Finally, the housing bond trustee would pay to the participating lenders the $2 million as payment for the mortgage securities delivered to the housing bond trustee at the beginning of the process.

This process is clearly a complicated one, but accomplishes the goal of using the combined recycled mortgage repayments and new tax-exempt allocation to fund new mortgages. Bonds will be issued in subseries over a period from September 1, 2003 through approximately August 2004.

MOH expects participating lenders to originate mortgages beginning in May 2003. As the initial $2 million is reserved, MOH will then confer with Fannie Mae to set a new interest rate for a second subseries of bonds to fund additional mortgages, and then notify participating lenders of the new rate and amount available. This process will repeat itself until all bond proceeds are used to originate mortgages. MOH estimates that, after the program is established, the program will originate approximately 6 mortgages per month, with the last mortgages being delivered to the trustee in August 2004 (approximately one year after the first delivery). Altogether, the $17,635,000 in mortgage bond proceeds is expected to be sufficient to originate about 70 mortgages, assuming an average mortgage amount of $250,000.

2. Describe the uses of the bond proceeds, source of bond repayment, and the sources and uses of costs of issuance.

As noted above, all bond proceeds will be used to originate mortgages to first time homebuyers. The source of bond repayments will be the mortgages themselves (packaged into mortgage-backed securities issued by Fannie Mae or GNMA). The bondholder may look only to the revenues from the mortgage-backed securities for payment of principal and interest on the bonds.

As with File 03-0348, costs of issuance are authorized by the resolution to be paid from the Home Ownership Assistance Loan Fund. For the housing bonds, the costs of issuance are estimated to be as follows:

Bond Counsel Hawkins, Delafield and Wood	$ 30,000
Law Offices of Marilyn Garcia	20,000
Purchaser's Counsel Chapman and Cutler	22,500
Financial Advisor CSG Advisors	45,000
Cash Flow Analyst CSG	25,000
Trustee (Includes Counsel) US Bank	3,500
Rating Agency fee	20,000
Cash Flow Verification Agent	7,500
City Attorney	10,000
Mayor's Office of Public Finance	5,000
California Debt Limit Allocation Committee	10,000
Contingency and Miscellaneous (CUSIP, DTC, etc..)	26,500
TOTAL	**$ 225,000**

CITY AND COUTY OF SAN FRANCISCO
2003 MORTGAGE REVENUE BONDS
$17,635,000

ANALYSIS OF REFUNDING BOND COMPONENT COMPLIANCE WITH 32-YEAR RULE

Tax Exempt Bond Maturity Schedule Data			Refunding Bond Component Data (Long Term Bonds)				
Debt Service Payment Date	Bond Maturing Principal	Cumulative Tax Exempt Maturing Principal	Refunding Component Designation	AMT Refunding Components	Selected Refunding Bond Components	Cumulative Refunding Components	32 Yr Rule Cumulative Excess (Under)
11/1/2003	110,000	110,000	1982	110,000	110,000	110,000	0
5/1/2004	110,000	220,000	1982	110,000	110,000	220,000	0
11/1/2004	115,000	335,000	1982	115,000	115,000	335,000	0
5/1/2005	120,000	455,000	1982	120,000	120,000	455,000	0
11/1/2005	120,000	575,000	1982	120,000	120,000	575,000	0
5/1/2006	125,000	700,000	1982	125,000	125,000	700,000	0
11/1/2006	125,000	825,000	1982	125,000	125,000	825,000	0
5/1/2007	130,000	955,000	1982	130,000	130,000	955,000	0
11/1/2007	135,000	1,090,000	1982	135,000	135,000	1,090,000	0
5/1/2008	135,000	1,225,000	1982	135,000	135,000	1,225,000	0
11/1/2008	140,000	1,365,000	1982	140,000	140,000	1,365,000	0
5/1/2009	145,000	1,510,000	1982	145,000	145,000	1,510,000	0
11/1/2009	150,000	1,660,000	1982	150,000	150,000	1,660,000	0
5/1/2010	150,000	1,810,000	1982	150,000	150,000	1,810,000	0
11/1/2010	155,000	1,965,000	1982	155,000	155,000	1,965,000	0
5/1/2011	160,000	2,125,000	1982	160,000	160,000	2,125,000	0
11/1/2011	165,000	2,290,000	1982	165,000	165,000	2,290,000	0
5/1/2012	170,000	2,460,000	1982	170,000	170,000	2,460,000	0
11/1/2012	175,000	2,635,000	1982	175,000	175,000	2,635,000	0
5/1/2013	180,000	2,815,000	1982	180,000	180,000	2,815,000	0
11/1/2013	185,000	3,000,000	1982 / 1984	185,000	185,000	3,000,000	0
5/1/2014	185,000	3,185,000	1984	185,000	185,000	3,185,000	0
11/1/2014	190,000	3,375,000	1984	190,000	190,000	3,375,000	0
5/1/2015	195,000	3,570,000	1984	195,000	195,000	3,570,000	0
11/1/2015	205,000	3,775,000	1984	205,000	205,000	3,775,000	0
5/1/2016	210,000	3,985,000	1984	210,000	210,000	3,985,000	0
11/1/2016	215,000	4,200,000	1984	215,000	215,000	4,200,000	0
5/1/2017	220,000	4,420,000	1990	220,000	220,000	4,420,000	0
11/1/2017	225,000	4,645,000	1990	225,000	225,000	4,645,000	0
5/1/2018	230,000	4,875,000	1990	230,000	230,000	4,875,000	0
11/1/2018	235,000	5,110,000	1990	235,000	235,000	5,110,000	0

CITY AND COUTY OF SAN FRANCISCO
2003 MORTGAGE REVENUE BONDS
$17,635,000

ANALYSIS OF REFUNDING BOND COMPONENT COMPLIANCE WITH 32-YEAR RULE

Tax Exempt Bond Maturity Schedule Data			Refunding Bond Component Data (Long Term Bonds)				
Debt Service Payment Date	Bond Maturing Principal	Cumulative Tax Exempt Maturing Principal	Refunding Component Designation	AMT Refunding Components	Selected Refunding Bond Components	Cumulative Refunding Components	32 Yr Rule Cumulative Excess (Under)
5/1/2019	245,000	5,355,000	1990	245,000	245,000	5,355,000	0
11/1/2019	250,000	5,605,000	1990	250,000	250,000	5,605,000	0
5/1/2020	255,000	5,860,000	1990	255,000	255,000	5,860,000	0
11/1/2020	265,000	6,125,000	1990	265,000	265,000	6,125,000	0
5/1/2021	270,000	6,395,000	1990	270,000	270,000	6,395,000	0
11/1/2021	275,000	6,670,000	1990 / 1994	275,000	275,000	6,670,000	0
5/1/2022	285,000	6,955,000	1994	285,000	285,000	6,955,000	0
11/1/2022	290,000	7,245,000	1994	290,000	290,000	7,245,000	0
5/1/2023	300,000	7,545,000	1994	300,000	300,000	7,545,000	0
11/1/2023	305,000	7,850,000	1994	305,000	305,000	7,850,000	0
5/1/2024	315,000	8,165,000	1994	315,000	315,000	8,165,000	0
11/1/2024	325,000	8,490,000	1994	325,000	325,000	8,490,000	0
5/1/2025	330,000	8,820,000	1994	330,000	330,000	8,820,000	0
11/1/2025	340,000	9,160,000	1994	175,000	175,000	8,995,000	165,000
5/1/2026	350,000	9,510,000		0	0	8,995,000	515,000
11/1/2026	360,000	9,870,000		0	0	8,995,000	875,000
5/1/2027	370,000	10,240,000		0	0	8,995,000	1,245,000
11/1/2027	380,000	10,620,000		0	0	8,995,000	1,625,000
5/1/2028	385,000	11,005,000		0	0	8,995,000	2,010,000
11/1/2028	400,000	11,405,000		0	0	8,995,000	2,410,000
5/1/2029	410,000	11,815,000		0	0	8,995,000	2,820,000
11/1/2029	420,000	12,235,000		0	0	8,995,000	3,240,000
5/1/2030	430,000	12,665,000		0	0	8,995,000	3,670,000
11/1/2030	440,000	13,105,000		0	0	8,995,000	4,110,000
5/1/2031	455,000	13,560,000		0	0	8,995,000	4,565,000
11/1/2031	465,000	14,025,000		0	0	8,995,000	5,030,000
5/1/2032	475,000	14,500,000		0	0	8,995,000	5,505,000
11/1/2032	490,000	14,990,000		0	0	8,995,000	5,995,000
5/1/2033	500,000	15,490,000		0	0	8,995,000	6,495,000
11/1/2033	515,000	16,005,000		0	0	8,995,000	7,010,000
5/1/2034	530,000	16,535,000		0	0	8,995,000	7,540,000
11/1/2034	545,000	17,080,000		0	0	8,995,000	8,085,000

CITY AND COUTY OF SAN FRANCISCO
2003 MORTGAGE REVENUE BONDS
$17,635,000

ANALYSIS OF REFUNDING BOND COMPONENT COMPLIANCE WITH 32-YEAR RULE

Tax Exempt Bond Maturity Schedule Data			Refunding Bond Component Data (Long Term Bonds)				
Debt Service Payment Date	Bond Maturing Principal	Cumulative Tax Exempt Maturing Principal	Refunding Component Designation	AMT Refunding Components	Selected Refunding Bond Components	Cumulative Refunding Components	32 Yr Rule Cumulative Excess (Under)
5/1/2035	555,000	17,635,000		0	0	8,995,000	8,640,000
				8,995,000	8,995,000		8,640,000
				Total New Money Required for Bonds			$ 8,640,000
	Total Bond Proceeds:	17,635,000		Refunding Capacity used for Bond Premium:			-
							8,640,000

Refunding Series	Amonut in DrawDown	Amount Used	32 Yr Rule Date
11/4/1982	2,942,657	2,942,657	11/4/2014
11/5/1984	6,630,000	1,257,343	11/5/2016
8/9/1990	2,345,000	2,345,000	8/9/2022
8/4/1994	2,450,000	2,450,000	8/9/2026
Total	14,367,657	8,995,000	

Item 4 – File 03-0315

Departments: Department of Administrative Services (DAS)

Item: Ordinance amending the San Francisco Administrative Code by repealing existing Section 4.10-1 and adding a new Section 4.10-1, to place all City general purpose vehicles under the jurisdiction of the Director of Administrative Services as part of a comprehensive fleet management program of City-owned and leased vehicles.

Description: Under the current provisions of Section 4.10-1 of the Administrative Code, the Purchaser, subject to the provisions of the Annual Appropriations Ordinance and approval of the Director of DAS, (1) may assign vehicles acquired by the Purchaser to department heads for use by department-heads and their departmental staff; (b) may transfer such vehicles between City departments and; (c) is required to inspect each City-owned vehicle which has been in service for more than six years or has more than 60,000 miles, and, based on its mechanical condition, recommend whether to retain, transfer, or replace the vehicle. The proposed ordinance would repeal the existing Section 4.10-1 of the Administrative Code, pertaining to the City-owned vehicles assignment, transfer and inspection policy.

The proposed ordinance would replace the existing policy (Section 4.10-1 of the Administrative Code) described above, with a City-owned Vehicles Fleet Management Program. Mr. Tomas Owen of the City Attorney's Office notes that while the policy is called the "City-owned Vehicles; Fleet Management Program", this program would apply to vehicles leased as well as owned by the City. This new Section 4.10-1 would (1) place all general purpose vehicles[1] owned, and leased by the City under the jurisdiction of the Director of DAS; (2) authorize the Director of DAS to assign vehicles for use by individual positions and departments; (3) direct the Director of DAS to adopt rules and regulations necessary to implement a vehicle fleet management program, including rules

[1] "General purpose vehicles" include automobiles, vans, and light trucks that have not been specially modified for a particular use such as a specially equipped Police Department vehicle.

covering (a) the terms, conditions, and fees for assignment of vehicles by the DAS to individual City officers and departments, (b) vehicle maintenance programs, and (c) vehicle replacement plans; and (d) authorize the Director of DAS to set fees in consultation with the Controller to charge City departments for (I) the acquisition and replacement of vehicles, (II) the maintenance and repair of vehicles, and (III) other vehicle costs of administering a fleet management program.

The proposed ordinance would also allow the Director of DAS to exempt vehicles from the aforementioned rules if such vehicles were acquired with special, dedicated or otherwise restricted funds[2] and would require that the Director of DAS report to the Mayor and the Board of Supervisors on its fleet management program and proposals for vehicle replacement along with the DAS annual budget submission.

Comments:

1. According to Mr. Ara Minasian of the Department of Administrative Services (DAS), the intent of the proposed ordinance is to revise the City's fleet management policies such that DAS has the ability to centrally coordinate the vehicle fleets of all City departments. Mr. Minasian states that the DAS is in the process of putting into place a comprehensive fleet management program for City vehicles and that the subject ordinance is a part of this effort. While the Administrative Code Section 4.12 gives DAS the authority to establish, maintain and operate vehicle pools, the proposed ordinance does not include mention of vehicle pools as part of the fleet management program. Mr. Minasian states that vehicle pools will be an important component to the City's Fleet Management Program. Mr. Minasian states that the City already has two such pools and that the DAS will establish more vehicle pools as part of the Fleet Management Program.

2. According to Mr. Tom Owen of the City Attorney's Office, under the existing provisions of the Administrative Code (Chapters 4 and 85), City vehicles are purchased

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[2] This provision is included so that if vehicles were purchased by City departments using grant or other specials funds, DAS can exempt such vehicles if the rules of the funding source are in conflict with the rules and regulations developed by DAS.

and assigned by the Purchaser with approval from the Director of DAS and the DAS also has authority over retention and vehicle replacement. Mr. Owen notes that, in practice, the DAS does not have control over the vehicles once they are assigned to various City departments and that the decision to acquire vehicles is based on requests of City departments and the Mayor and the Board of Supervisors through the annual budget process or through supplemental appropriations. Mr. Owen states that the proposed ordinance would give the Director of DAS explicit authority over the City's owned vehicle fleet and would add authority for leased and rented vehicles. However, all vehicle expenditures would still be subject to Board of Supervisors appropriation approval.

As previously noted, Mr. Owen states that while the policy is called the "City-owned Vehicles; Fleet Management Program," this program would apply to vehicles owned and leased by the City. Therefore, the Budget Analyst recommends that the proposed ordinance be amended to "City-owned and leased vehicles."

3. As previously noted, the proposed ordinance would repeal provisions of Section 4.10-1 of the Administrative Code related to the Purchaser's inspection of each City-owned vehicle which has been in service for more than six years or has more than 60,000 miles, and, based on its mechanical condition, recommend whether to retain, transfer, or replace the vehicle. According to Mr. Minasian, this provision has never been implemented because DAS has not had the resources to inspect vehicles systematically.[3] The proposed ordinance would instead direct the Director of DAS to adopt rules and regulations for a vehicle maintenance program and vehicle replacement plan. The Budget Analyst notes that the details of this vehicle maintenance program and vehicle replacement plan are not set forth in the proposed ordinance and, as of the writing of this report, such details have not been provided to the Budget Analyst's Office. According to Mr. Minasian, DA is targeting a 15

[3] Mr. Minasian notes that the existing six-year or 60,000 mile maintenance standard is based on a 1977 standard and should be updated.

percent fleet reduction in light duty vehicles or a reduction of approximately 185 vehicles from 1,231 to 1,046 because the Mayor's Office, in a letter to City departments on February 10, 2003, directed that City departments identify a 15 percent reduction of light duty vehicles. According to Mr. Minasian, light duty vehicles are automobiles and pick-up trucks up to ¾ tons. Mr. Minasian states that this policy of a 15 percent reduction will apply to all City departments except for the Police, Fire and Sheriff's departments because a reduction in the vehicles of these departments will require more intensive analysis.

Mr. Minasian estimates that the vehicle maintenance program will be completed in May of 2003 and the vehicle replacement plan will be completed in December of 2003. The Budget Analyst recommends that the proposed ordinance be amended to require that the DAS to submit to the Board of Supervisors the vehicle maintenance program and the vehicle replacement plan by no later than May 16, 2003 and December 1, 2003 respectively.

4. As previously noted, the proposed ordinance would authorize the Director of DAS to adopt rules and regulations covering the terms and conditions for assignment of vehicles by DAS to individual positions and departments. The Budget Analyst notes that Section 4.11 of the Administrative Code – use of City-owned vehicles – already includes terms and conditions for assignment of vehicles, including a provision that all vehicle assignments, to specifically named City employees, are to be used solely by that employee or his/her designee, and such vehicles must be approved by the Director of DAS. Mr. Minasian states the City departments are now in the process of requesting approval from DAS for previously assigned vehicles. Mr. Minasian also states that the rules and regulations to be developed for vehicle assignments would include the existing provisions contained in Section 4.11 of the Administrative Code such as that City-owned and leased vehicles may only be used in the discharge and transaction of municipal business with the consent of the Department head, and that no vehicle owned or, leased by the City shall be used for transportation to and from an employee's place of residence unless the employee meets

the exemption requirements as detailed in Section 4.11 of the Administrative Code listed on the Attachment to this report.

5. The proposed ordinance would include a new provision to authorize the DAS to "lease" vehicles to City departments. According to Mr. Owen, the proposed ordinance would allow the Director of DAS to keep basic authority over the vehicles for administrative purposes, but would "lease" the vehicles to individual departments. Mr. Minasian advises that City departments would pay a fee for use of the vehicle to DAS and that such fees would be collected to recover the costs of maintaining and repairing the vehicle, as well as the costs of acquiring new and replacement vehicles. Mr. Minasian advises that this lease system would be the basis of a centralized fleet management program. According to Mr. Minasian, the fees, which would be charged to City departments, are not available as of the writing of this report. However, Mr. Minasian advises that the Controller's Special Projects Team in coordination with DAS will develop such fees in June of 2003. The Budget Analyst recommends that the proposed ordinance be amended to require the DAS to submit a report on the proposed lease fees to the Board of Supervisors in May of 2003.

6. The proposed ordinance requires that the Director of DAS to provide the Board of Supervisors with a an annual report on the fleet management program and proposals for vehicle replacement, and that the report would be submitted along with the Department of DAS' budget. The Budget Analyst notes that Chapter 85 of the Administrative Code already directs the Director of DAS to submit an annual summary of motor vehicles and motorized equipment purchased or leased by City departments. Mr. Minasian states that the DAS has not previously provided such reports.

7. According to Mr. Minasian, the proposed ordinance is intended to promote efficiency and economy in the acquisition and use of City vehicles and may result in lower vehicle costs. Mr. Minasian states that it is anticipated that by placing City vehicles in a central fleet, the City will be better able to implement uniform

standards for the types of vehicles acquired and the terms of their acquisition, assignment, and maintenance and repair, including advance planning for and financing of the eventual replacement of vehicles. Mr. Minasian also anticipates that the proposed ordinance would result in the City developing more reliable data regarding the patterns and levels of use of vehicles by City departments. According to Mr. Minasian, a central fleet concept is also expected to facilitate the City's shift to low or no emission vehicles.

8. While the Budget Analyst agrees that a Vehicle Fleet Program, with a centralized vehicle fleet consisting of fewer vehicles and more fully utilized vehicles, may result in lower vehicle costs, the DAS has not provided sufficient data to document that lower costs will result from this program.

Recommendations:

1. In accordance with Comment No. 2, amend the proposed ordinance from "City-owned" to "City-owned and leased vehicles."

2. In accordance with Comment No. 3, amend the proposed ordinance to require that the DAS submit to the Board of Supervisors the vehicle maintenance program and the vehicle replacement plan by no later than May 16, 2003 and December 1, 2003 respectively.

3. In accordance with Comment No. 5, amend the proposed ordinance to require the DAS to submit a report to the Board of Supervisors by May 16, 2003 on the proposed lease fees to be charged to City Departments to recover the costs of the acquisition and maintenance of the vehicles.

4. Approve the proposed ordinance, as amended.

Attachment

The following exemptions are detailed in 4.11:

(1) The employee resides or both resides and works outside of the City and County of San Francisco and is on call for work after his or her normal workday is completed and the nature of the work has required the use of a City and County vehicle after hours on at least five occasions in the preceding 12-month period; or (2) the employee resides or both resides and works outside of the City and County and must leave his or her residence prior to 8:00 a.m. on City and County business away from his or her normal place of work; or (3) the employee resides or both resides and works outside of the City and County of San Francsico and would return to his or her normal place of work from an appointment on City and County business after 6:00 p.m. or on a weekend; or (4) the employee is a member of the San Francisco Police Department or San Francisco Sheriff's Department, or an employee of the San Francisco Water Department, San Francisco Department of Public Works, San Francisco Department of Emergency Services or San Francisco Office of Citizen Complaints, and has the prior written permission of the department head to use a vehicle equipped with emergency equipment for such purpose, subject to such restrictions and regulations as the Chief of Police, Sheriff, Director of Emergency Services or Director of the Office of Citizen Complaints may provide for the respective departments. The departments shall keep detailed records of all vehicles used pursuant to this paragraph; said records shall be open to inspection by the Office of the Mayor and the Board of Supervisors; and provided further that the number of vehicles so exempted shall not exceed: (5) The employee is a forensic pathologist employed by the Office of the Medical Examiner and has prior written permission of the Medical Examiner to use a City and County vehicle and is on call before or after normal work hours in order to respond to and investigate death scenes. The Medical Examiner shall keep detailed records of all vehicles used pursuant to this subsection; said records shall be open to inspection by the Director of Administrative Services and the Board of Supervisors; and provided further that the number of vehicles so exempted shall not exceed two vehicles; or (6) the employee is a resident of the City and County of San Francisco and is driving the vehicle to and from the employee's place of residence solely for the purpose of garaging the vehicle at his or her place of residence during nonwork hours, with the approval by resolution of the Board of Supervisors, upon the recommendation of the Director of Administrative Services, where the head of the department which has jurisdiction over such vehicle finds that the public interest will be best served by permitting the employee to take the vehicle home, rather than require the City to garage the vehicle.

Item 5 - File 03-0410

Departments: Department of Administrative Services (DAS)

Item: Release of reserved funds in the amount of $3,088,926 for vehicle maintenance and repair.

Amount: $3,088,926

Source of funds: General Fund. In the FY 2002-2003 budget, $13,439,999 was appropriated by the Board of Supervisors for vehicle maintenance of all City-owned vehicles serviced by Central Shops, including General Fund and Enterprise Departments, of which $3,088,926 was placed on reserve by the Board of Supervisors.

Description: The Board of Supervisors reserved $3,088,926 of the $13,439,999 appropriated for vehicle maintenance and repair of all City-owned vehicles serviced by Central Shops, pending the submission by DAS of a report back to the Board of Supervisors regarding the status of the implementation of provisions of the Administrative Code, Sections 88.7(1), 4.10-1(b), 4.11(a) and 4.11(b)(6), that pertain to City-owned and leased vehicles. A description of each of these Administrative Code Sections and the current status of compliance is provided in Comment No. 1 below.

Budget: The $3,088,926 of reserved funds would be used to reimburse Central Shops for vehicle maintenance and repair expenditures already incurred and to be performed in the remainder of FY 2002-2003 on vehicles owned by General Fund City departments. According to Mr. Ara Minasian of DAS, as of since January of 2003, Central Shops has expended funds for maintenance and repair of City vehicles at a rate that anticipated the release of the $3,088,926 of reserved funds (see Comment No. 2). Mr. Minasian states that as of March 14, 2003, approximately $836,484 or 27 percent of the $3,088,926 now being requested for release has already been expended.

Comments: 1. According to Ms. Pamela Levin of the Controller's Office, 26 General Fund departments received a total appropriation of $7,722,315 for vehicle maintenance at

Central Shops in FY 2002-2003. The Board of Supervisors directed the DAS to report back in January of 2003 regarding the subject $3,088,926 reserve. Mr. Minasian has provided the Budget Analyst with a *Report on Fleet Management Issues* that he will also provide to the Finance and Audits Committee prior to the Finance and Audits Committee Meeting on March 26, 2003. This report includes a summary of the status on the implementation of provisions of the Administrative Code that pertain to the City's vehicles, which are as follows:

- Administrative Code Chapter 85.7(1) - develop a plan to phase out highly polluting motor vehicles and motorized equipment over 12 years old.

  Status: Not yet implemented. Mr. Minasian anticipates that a vehicle replacement plan will be completed by December of 2003. Mr. Minasian states that while a plan has not yet been developed, the DAS has created a "Green Fleets Team" composed of staff from the Department of the Environment, Purchasing, and Central Shops to advise City departments on clean air vehicles and fleet efficiency issues.

- Administrative Code Section 4.10 - inspect vehicles over 6 years old or with over 60,000 miles and make recommendations for retention, transfer or replacement.

  Status: Not implemented. Another proposed ordinance, Item 4 File No. 03-0315 of the Budget Analyst's report to the Finance and Audits Committee, would remove this inspection requirement from the Administrative Code. As explained in the Budget Analyst's report for Item 4, File No. 03-0315, the DAS plans to develop a comprehensive fleet management program that will include a vehicle maintenance program and vehicle replacement plan.

- Administrative Code Sections 4.11(a) and (b)(6) – Heads of departments may not assign any vehicles to individual officers or employees or allow individuals to take vehicles home for garaging unless the Director of DAS has approved a written request justifying the

need for assigning vehicles to individual employees or allowing employees to garage City vehicles at their residences.

Status: Not implemented. According to Mr. Minasian, the DAS has compiled a list of the 112 vehicles assigned to individual City employees. According to Mr. Minasian, this list includes all individually assigned City-owned vehicles. Additionally, the DAS has compiled a list of the 33 City-owned vehicles that are taken home by City employees for garaging purposes. Mr. Minasian states that on November 18, 2002, approximately 5 months after the Board of Supervisors reserved the subject funds, the DAS sent a letter to all departments requiring evidence of written authorization for individual vehicle assignments. In a follow-up letter, sent February 10, 2003, the Mayor directed all department heads to obtain approval for individually assigned City-owned vehicles and home garaging, from the Director of DAS. The results of the DAS review of these requests made by City departments have not been provided to the Budget Analyst as of the writing of this report. Mr. Minasian states that he will submit a status report directly to the Finance and Audits Committee prior to its meeting of March 26, 2003.

2. The Budget Analyst notes that funds for vehicle maintenance and repair have been expended by Central Shops for the day to day operations of the City as if the $3,008,926 vehicle maintenance funds had not been reserved by the Board of Supervisors. According to Mr. Minasian, and as explained by Mr. Minasian in Attachment I to this report, limited resources in DAS resulted in delays in preparing the *Report on Fleet Management Issues*. Mr. Minasian states that the DAS has continued to maintain and repair vehicles that are necessary for the day-to-day operations of the City utilizing the proposed funds placed on reserve by the Board of Supervisors, which the DAS is now requesting be released. Because City departments have incurred expenditures based on the anticipated release of the $3,088,926 reserved by the Board of Supervisors for vehicle maintenance and repairs and, according to Mr.

Minasian, these expenditures were essential for City operations, it appears that the DAS has provided the Board of Supervisors with no other option but to approve the release of the reserved funds in the amount of $3,088,926. As previously noted, as of March 14, 2003, approximately $836,484 or 27 percent of the $3,088,926 now being requested for release has already been expended.

3. Attachment II to this report, also provided by Mr. Minasian, provides Central Shop expenditures to date, and projected 2002-2003 expenditures compared to the budgeted amounts. The Budget Analyst has reviewed the expenditure projections shown in Attachment II and finds them to be reasonable based on actual expenditures for the eight month period of July 1, 2002 through February 28, 2003 and based on prior year actual expenditure levels.

The projections for Central Shops expenditures show a projected year-end surplus in Salaries and Mandatory Fringe Benefits of $336,323. This surplus is more than offset by a projected deficit of $981,219 in Materials and Supplies expenditures. The expenditure projection for Materials and Supplies is consistent with FY 2001-2002 expenditure levels and actual spending for the first eight months of FY 2002-2003. A variety of smaller projected surpluses in several expenditure accounts, chiefly a $177,135 projected surplus in capital outlay (i.e., equipment purchases), along with the $336,323 surplus for Salaries and Mandatory Fringe Benefits, offset the large projected deficit in Materials and Supplies.

Recommendation: Release the requested reserve of $3,088,926.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Attachment I
Page 1 of 2

DEPARTMENT OF
ADMINISTRATIVE SERVICES

WILLIE L. BROWN, JR.
MAYOR

DARRYL M. BURTON
DIRECTOR

March 19, 2003

To : Elaine Forbes
Budget Analyst's Office

From : Ara Minasian AM
Deputy Director

Subject: Release of reserves on vehicle maintenance funds

You have requested an explanation of why the Department of Administrative Services has continued to expend funds for vehicle maintenance when the sources of such funds in the various departments' budgets are on reserve. The fundamental response is that essential operations of City departments are dependent on the continued maintenance of their vehicles. Lack of vehicle availability would seriously affect the ability of the departments to provide essential services. Notably, of the $3,088,926 on reserve, $2,367,922 is for the maintenance of emergency response vehicles in the Fire, Police, and Sheriff Departments, and another $322,265 is largely for repair of grounds maintenance equipment in Rec/Park. Such maintenance could not responsibly be deferred.

Delays in requesting the release of reserves have occurred because of one primary factor, which is the lack of fleet management resources within DAS. Most jurisdictions, even those significantly smaller than the City and County of San Francisco, have a dedicated fleet manager. We do not. DAS has been staffed to provide fleet maintenance services through its Central Shops division, but not fleet management. Even an organization that had adequate management and staff resources would be challenged to address the range and depth of fleet management expectations that we are facing. This organizational constraint has been greatly compounded by the following factors:

- departure in August 2002 of the previous Director of Administrative Services (who had been the lead person in responding to the Legislative Analyst and Budget Committee on fleet issues), before establishing a plan for addressing the fleet management issues in the OLA report;
- subsequent hiring of a new Director of Administrative Services in November 2002;

- shortage of other key staff within DAS central office during this time;
- necessity to coordinate fleet management plans and activities with the Mayor's Office and other entities;
- delays and resistance from departments in responding to surveys, requests, and instructions issued in regard to their vehicles;
- other major competing demands on our central office management and staff time, particularly in regard to FY 02-03 and FY 03-04 budget activities.

The Director of Administrative Services, Darryl Burton, and DAS staff have been in regular contact with the office of Supervisor Peskin for the last three months in regard to the timing and substance of the release of reserve request, and we have discussed the potential issue you have raised in regard to the expenditure of reserved funds. While it would have been better in some respects to calendar the request earlier, we felt more strongly that we needed to wait until we had a more comprehensive plan to present.

Please let me know if you have any additional questions in this regard.

c: Darryl Burton
Supervisor Peskin

Attachment II

CENTRAL SHOPS FY 02-03 EXPENDITURE PROJECTION

	FY 2001-2002	FY 2002-2003				
	Actual	Actual To-Date	Projected Remaining	Projected Total	Budget	Difference
001 SALARIES	6,207,618	4,340,899	2,085,267	6,426,166	6,758,987	332,821
013 MANDATORY FRINGE BENEFITS	1,586,983	1,132,773	544,157	1,676,930	1,680,432	3,502
021 NON PERSONAL SERVICES	1,955,661	1,301,463	647,659	1,949,122	2,133,924	184,802
040 MATERIALS & SUPPLIES	6,512,111	4,295,298	2,294,909	6,590,207	5,608,988	-981,219
060 CAPITAL OUTLAY	56,627	4,561	0	4,561	181,696	177,135
069 PROJECT CARRYFORWARD BUDGETS ONLY		0	0	0	28,912	28,912
081C5 IS-TIS-ISD SERVICES		9,578	6,936	16,514	15,000	-1,514
081ET GF-TIS-TELEPHONE(AAO)		17,845	17,843	35,688	38,693	3,005
081H2 GF-HR-MGMT TRAINING		0	0	0	1,500	1,500
081H3 GF-HR-WORKERS COMP		104,336	104,338	208,674	182,926	-25,748
081H8 GF-HR-HEALTH & SAFETY		10,548	10,548	21,096	24,026	2,930
081HE EF-SFGH-MEDICAL SERVICE		3,161	2,289	5,450	14,800	9,350
081HT GF-CHS-TOXICS WASTE & HAZARD MAT SVC		6,359	6,359	12,718	22,940	10,222
081PA IS-PURCH-CENTRAL SHOPS-AUTO MAINT		1,143	1,857	3,000	6,000	3,000
081PF IS-PURCH-CENTRAL SHOPS-FUEL STOCK		1,088	912	2,000	3,000	1,000
081PG GF-PURCH-GENERAL OFFICE		48,480	48,480	96,960	96,960	0
081PM GF-PURCH-MAIL SERVICES		438	438	876	1,000	124
081PR IS-PURCH-REPRODUCTION		819	819	1,638	3,000	1,362
081UL GF-PUC-LIGHT HEAT & POWER		38,131	38,131	76,262	75,990	-272
081W1 PUC SEWER SERVICE CHARGES		2,069	2,069	4,138	6,200	2,062
081WB SR-DPW-BUILDING REPAIR		55,578	55,580	111,158	100,400	-10,758
081WG SR-DPW-GENERAL ADMINISTRATION		0	17,000	17,000	17,000	0
081WM SR-DPW-CONSTRUCTION MGMT		7,998	7,998	15,996	22,343	6,347
081 SERVICES OF OTHER DEPTS	642,230	307,571	321,597	629,168	631,778	2,610
086 EXPENDITURE RECOVERY	-16,925,355	-8,045,608	-9,230,546	-17,276,154	-17,015,717	260,437
TOTAL	35,875	3,336,957	-3,336,957	0	9,000	9,000

City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick
Supervisors

Clerk: Linda Laws

Wednesday, April 02, 2003 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Chris Daly.

Members Absent: Jake McGoldrick.

MEETING CONVENED

The meeting convened at 12:35 p.m. Board President Gonzalez appointed Supervisor Daly to serve on the Finance and Audits Committee for today's meeting only.

030389 **[Agreement to sell former Central Freeway parcel]**
Resolution approving and authorizing an agreement for the sale at fair market value of certain real property formerly occupied by the Central Freeway; adopting findings pursuant to the California Environmental Quality Act; adopting findings that the conveyance is consistent with the City's general plan and eight priority policies of City Planning Code Section 101.1; and authorizing the Director of Property to execute documents and take certain actions in furtherance of this resolution. (Real Estate Department)

(Public Benefit Recipient.)
3/7/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Jerry Romani, Administrative Services Department; Amy Brown, Deputy City Attorney; Jessie Blout, Mayor's Office of Economic Development; Harvey Rose, Budget Analyst.
4/2/03 Amendment of the Whole bearing new title prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution approving and authorizing an agreement for the sale at 94% of fair market value of certain real property formerly occupied by the Central Freeway; adopting findings pursuant to the California Environmental Quality Act; adopting findings that the conveyance is consistent with the City's general plan and eight priority policies of City Planning Code Section 101.1; and authorizing the Director of Property to execute documents and take certain actions in furtherance of this resolution. (Real Estate Department)

(Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, Daly
Absent: 1 - McGoldrick

030514 **[Reserved Funds, Airport Commission]**

Hearing to consider release of reserved funds, Airport Commission (File No. 991303, Ordinance No. 740-99), in the amount $182,000 to purchase vehicles and equipment for the San Francisco Police Department and Airport Bureau K-9 Unit. (Airport Commission)

3/25/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Captain Mario Gonzalez, SFPD; Harvey Rose, Budget Analyst.
Release of reserved funds in the amount of $182,000 approved.

APPROVED AND FILED by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 2 - Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 1:19 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

March 27, 2003

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: April 2, 2003 Finance and Audits Committee Meeting

<u>Item 1 - File 03-0389</u>

Departments:	Real Estate Planning Department Department of Public Works
Item:	Resolution approving and authorizing an agreement for the transfer and sale by the City to the Giannini Living Trust, at fair market value, of City-owned real property formerly occupied by the Central Freeway; adopting findings pursuant to the California Environmental Quality Act; adopting findings that the conveyance is consistent with the City's General Plan and eight priority policies of City Planning Code Section 101.1; and authorizing the Director of Property to execute documents and take certain actions in furtherance of this resolution.
Seller:	City and County of San Francisco
Buyer:	Alfred Louis Giannini and Clara Amalia Giannini, Co-trustees of the Giannini Living Trust

Location: McAllister and Franklin Streets, Central Freeway Parcel D (Assessor's Block 768, Lot 73), as shown in Attachment I.

Size of Parcel: L-shaped parcel of approximately 10,937 square feet

Price: $1,100,000

Description: In November of 1998, the voters of San Francisco authorized Caltrans to replace the Central Freeway, which was damaged by the 1989 Loma Prieta Earthquake, with an elevated freeway structure to Market Street and a surface-grade boulevard on Octavia Street from Market to Fell Streets. In January of 2001, as part of a Cooperative Agreement (see Comment No. 1), the State Department of Transportation (Caltrans) transferred the title on the subject property, located at McAllister and Franklin Streets, at no cost to the City and County of San Francisco. The subject property had previously been used as an off-ramp for the Central Freeway Extension. The proposed resolution would approve the sale of the subject parcel by the City's Director of Property to the Giannini Living Trust, which is the current adjacent property owner, for $1,100,000.

The subject and adjacent properties are shown in Attachment I. Both of these properties are currently used as surface parking lots. As detailed in Attachment II, provided by Mr. Jerry Romani of the Real Estate Division, there are three existing ground leases on the subject property with the Giannini Living Trust and a portion of a fourth ground lease with Federal Auto Parks is also on the subject property to be sold. As previously noted, the subject property to be sold by the City to the Giannini Living Trust consists of a total of 10,937 square feet. The ground leases on the subject parcel currently generate $3,967 per month, or $47,604 annually in rental revenues to the City. As shown in Attachment II, three of the existing ground leases with the Giannini Trust and Federal Auto Parks are month-to-month tenancies and the fourth

ground lease, which is with the Giannini Living Trust, has a term expiring on August 31, 2032.

Under the proposed agreement, in which the City would sell the subject parcel to the Giannini Living Trust, the adjacent property owner, if the Giannini Living Trust constructs a residential development, 15 percent[1] of all of the residential units, on both the subject property and the adjacent property, already owned by the Giannini Living Trust, must be affordable housing units. In the event the property is developed for residential purposes but the 15 percent affordable housing requirement is not complied with, or the property is developed with a non-residential use, the property owner would be required to make a one-time in-lieu payment to the City (see Comment No. 8). As noted above, both the subject and adjacent properties are currently used as surface parking lots.

The proposed resolution finds that (1) it is in the City's best interest to sell the subject property to the adjacent property owner, the Giannini Living Trust, in order to facilitate development of the property and to increase inclusionary affordable housing on the site (see Comment No. 9); (2) the public interest or necessity demands, or will not be inconvenienced by the sale of the subject property to the adjacent property owner pursuant to the subject agreement; and (3) because of the irregular shape of the parcel, competitive bidding would be impractical and impossible. Furthermore, Mr. Romani advises that competitive bidding for the subject parcel is not practical, given the existence of a ground lease with the City for parking purposes which covers 30.4 percent of the subject parcel and that has a remaining term of 29 years, which lease is held by the adjacent property owner and proposed buyer, the Giannini Living Trust. Under the proposed resolution, the Board of

[1] The Planning Department typically imposes a 12 percent affordable housing requirement for such residential developments, but, the proposed agreement imposes an additional three percent, for a total affordable housing requirement of 15 percent of all the residential units which may be developed on the proposed and adjacent properties.

Supervisors would authorize the Director of Property, on behalf of the City and County of San Francisco, to enter into amendments or modifications to the transfer and sale agreement, as determined by the Director of Property and the City Attorney, that are in the best interests of the City, that do not decrease the sales price, or otherwise materially increase the obligations or liabilities of the City and that are necessary or advisable to complete the transfer and sale of the proposed property.

In accordance with the proposed resolution, the Board of Supervisors finds that the proposed transfer of the title and sale of the subject property is in conformity with the City's General Plan and consistent with the Eight Priority Policies of Planning Code Section 101.1. In addition, the proposed resolution finds that, based on the information submitted to the Board of Supervisors and in the Board of Supervisors independent judgment, the subject transfer and sale of the proposed property is categorically exempt from the California Environmental Quality Act CEQA (see Comment No. 4).

Comments:

1. Section 72.1 of the California Streets and Highways Code requires that the City use all proceeds from the disposition of the former Central Freeway parcels, that were acquired at no cost to the City from the State, to finance the City's replacement of the former Central Freeway with a ground-level boulevard along Octavia Street from Market to Fell Streets, as described in the November 29, 2000 Cooperative Agreement between the City and State. Ms. Tina Olson of the Department of Public Works (DPW) advises that, as a result of State Legislation and the Cooperative Agreement between the State and the City, Caltrans has now transferred to the City 23 parcels of land at no cost to the City. According to Ms. Olson, the proposed $1,100,000 from the sale of the subject parcel to the Giannini Living Trust would be deposited into DPW's Octavia Boulevard Project Account to be used for expenditures related to the

design and construction of the Octavia Boulevard Project, subject to Board of Supervisors appropriation approval.

2. Ms. Olson provided Attachment III, which is the Octavia Boulevard Project Budget, which shows that of the total \$44,794,000 estimated Project cost, an estimated \$41,500,000 or 92.6 percent of the estimated revenues to finance the project are anticipated to come from Land Sales. Although there is not a specific amount separately identified for the subject parcel, Ms. Olson advises that the existing \$47,604 from the annual lease payments and the proposed \$1,100,000 sale price is included as part of the total \$41,500,000 of revenues anticipated to be received by DPW from the 23 parcels of land to be sold to fund the Octavia Boulevard Project.

3. Ms. Olson reports that Caltrans is expected to begin tearing down the remaining portion of the Central Freeway in early April of 2003. According to Ms. Olson, the design of the Octavia Boulevard Project is nearly complete, and DPW anticipates beginning the construction of Octavia Boulevard in early 2004. According to Ms. Olson, the construction of the Octavia Boulevard Project is anticipated to take approximately one year and is estimated to be completed in early 2005.

4. In a letter dated February 5, 2003, the Director of City Planning found that the proposed transfer and sale of the subject property is (a) consistent with the City's General Plan and with the Eight Priority Policies of City Planning Code Section 101.1 and (b) categorically exempt from CEQA, since the transfer and sale of the subject property would not have significant environmental impacts.

5. According to Mr. Romani, the Real Estate Division contracted for independent appraisals of 9 of the 23 of the Central Freeway and Octavia Boulevard properties with the private firm of Carneghi-Bautovich & Partners, Inc. Mr. Romani advises that in April of 2002, Carneghi-Bautovich

& Partners, Inc. identified a fair market value of $1,430,000 for the subject parcel. However, Mr. Romani advises that in December of 2002, the City Planning Department issued a Draft Market and Octavia Neighborhood Plan report which would amend the City's General Plan, including reductions in the allowable height limits and parking requirements in this area.

To assess the impact of these proposed height and parking changes on the subject parcel, Mr. Romani advises that, as a result, in February of 2003, the Real Estate Division again contracted with Carneghi-Bautovich & Partners to prepare an addendum to their earlier April of 2002 appraisal. As shown in Attachment IV, the subject parcel was appraised for $1,170,000, after consideration of the adjustment for the 15 percent affordable housing requirement and the net present value of the long-term Giannini lease.

The proposed resolution would authorize the subject property to be sold for $1,100,000, which is $70,000 or approximately six percent less than the appraised value of $1,170,000, based on the appraisal addendum in February of 2002. Mr. Romani advises that the proposed $1,100,000 sales price, which is approximately 94 percent of the appraised value, complies with the City's requirement that the sales price minimum must be at least 90 percent of the appraised value, pursuant to Section 23.3 of the City's Administrative Code. 90 percent of the appraised value would be $1,053,000.

6. Section 23.3 of the Administrative Code also permits City-owned property to be sold without advertisement, public auction, or the use of competitive bidding procedures, if it is determined that an auction or competitive bidding process is impractical or impossible, including but not limited to situations in which the property is not capable of independent development, or when it is determined that a negotiated direct sale will further a proper public purpose. Mr. Romani advises that the Real

Estate Division proposes to sell the subject property directly to the adjacent property owner, without a public auction or competitive bidding process because the adjacent property owner, and proposed buyer, the Giannini Living Trust, (1) has 29 years remaining on a ground lease with the City, (2) this long-term ground lease does not include any termination provisions, and (3) this long-term lease comprises 3,320 square feet in the middle of the subject parcel, or 30.4 percent of the subject 10,937 square foot property, making the subject property not capable of independent development by an outside party. Furthermore, according to Mr. Romani, the subject agreement requires a commitment to develop 15 percent of the units as affordable housing or alternative in-lieu fee payments, if such affordable housing is not included.

7. Under the proposed property transfer and sale, the buyer, the Giannini Living Trust, is purchasing the subject property from the City "as is with all faults". According to Mr. Romani, this is a generally accepted provision in sales documents of City-owned property to knowledgeable buyers, which limits the City's liability on the subject parcel.

8. Mr. Romani advises that although there is currently not a specific plan for the use of the subject property, as previously noted, the proposed agreement for the sale of the property by the City to the Giannini Living Trust contains a Declaration of Covenants, Conditions and Restrictions on Property which would require the Giannini Living Trust to include 15 percent of the total number of housing units as affordable housing or to pay in-lieu fees to the City. According to Mr. Romani, this Declaration would be recorded with the subject property, such that these requirements would apply to any future owners of the subject property. As discussed in Attachment V, provided by Mr. Romani, in accordance with this proposed Declaration, if the subject property is not developed for residential purposes, the property owner would

be subject to the applicable in-lieu fee, depending on the type of development. In the 80,000 square foot office/retail project example cited in Attachment V, such fees would total $1,176,600. Furthermore, if the subject property is developed for residential purposes, but the 15 percent affordable housing requirement is not included, the owner would be required to make a one-time payment to the City equivalent to the highest in-lieu fee, in accordance with the City Planning Code. In the 75,000 square foot condominium development example cited in Attachment V, such fees would total $157,080. Until a specific plan is developed for the subject property, the amount of the actual in-lieu fee cannot be determined, according to Mr. Romani.

9. The Budget Analyst notes that the proposed resolution states that it is in the City's best interest to sell the subject property to the adjacent property owner, the Giannini Living Trust, in order to facilitate development of the property and to increase inclusionary affordable housing <u>on the site</u>. However, the Budget Analyst notes that, as discussed above, the buyer of the subject parcel may develop the subject site with a non-residential project or with a residential project that does not include 15 percent affordable housing. As discussed above, in such cases, the owner would be required to pay an in-lieu fee to the City. Therefore, the proposed resolution should be amended to reflect that affordable housing may not actually be increased <u>on the site</u>, but, rather if not on that site than such in-lieu fees could be used to increase affordable housing <u>in the City</u>.

10. Ms. Olson advises that an economic analysis report is currently being prepared by the consulting firm, Economic and Planning Systems (EPS), on the Market and Octavia neighborhood. Although the analysis and report are not yet complete, and the DPW requires the funds from the sale of 23 parcels transferred from the State to pay for the design and construction of the Octavia Boulevard Project, including the sales proceeds from this

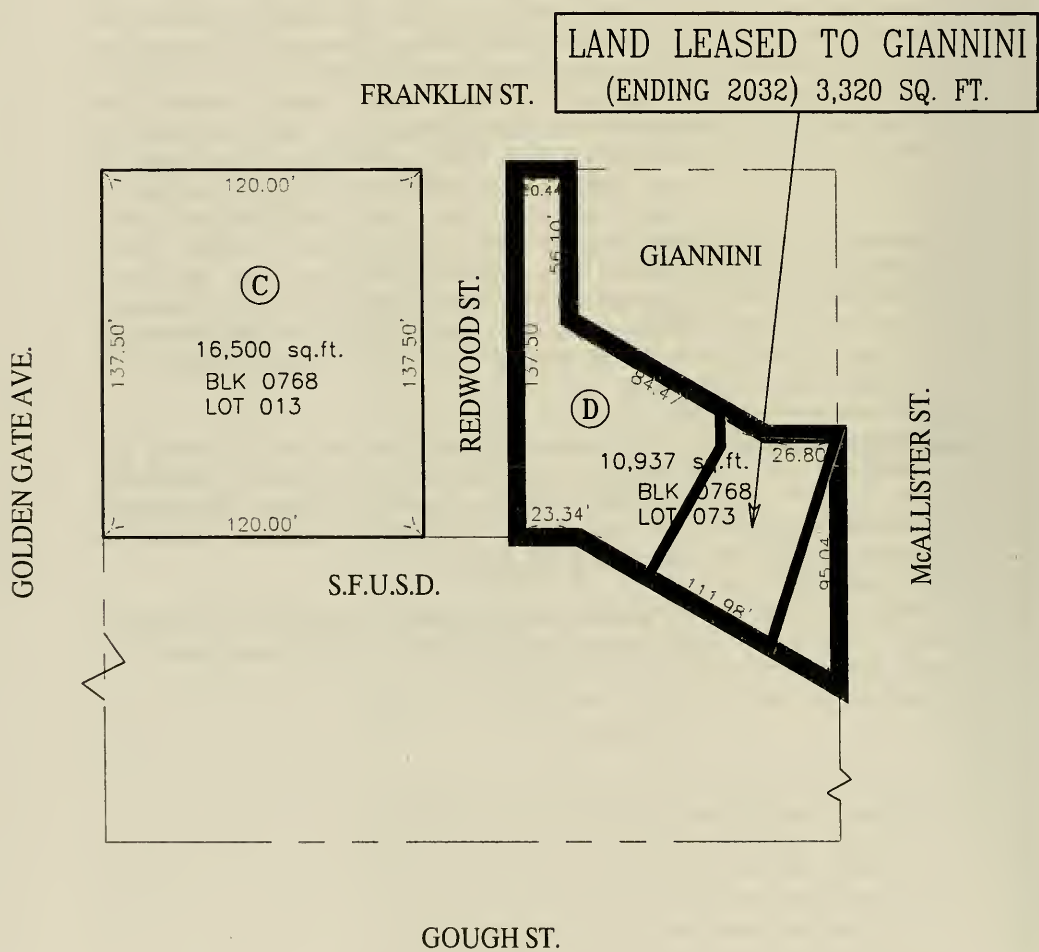
subject property, Ms. Olson advises that the preliminary results of the EPS analysis are that the City would likely receive greater revenues from waiting to sell the City-owned properties until after the Central Freeway and Octavia Boulevard Projects are completed, which would be in approximately two years. However, Mr. Romani advises that given that (1) the adjacent property owner, the Giannini Living Trust, has recently made an offer to purchase the subject property for $1,100,000, which is approximately 94 percent of the recent appraisal, (2) there is a 29-year remaining ground lease, which cannot be terminated, between the City and the Giannini Living Trust on 3,320 square feet in the middle of the subject parcel, making this property unlikely to be developable by any other potential buyer, (3) the potential for additional affordable housing on the subject and adjacent properties and (4) these parcels must be sold to fund the Octavia Boulevard Project, the Real Estate Division is recommending that the proposed resolution be approved at this time.

Recommendations:

1. In accordance with Comment No. 9, amend the proposed resolution to reflect that if affordable housing is not developed on the site, than in-lieu fees would be imposed to increase affordable housing in the City.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

CENTRAL FREEWAY EXTENTION PARCEL D



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Attachment I
Page 2 of 2

Central Freeway Parcel D (Block 768, Lot 73)

Attachment II

Central Freeway Parcel D

Parcel #	Tenant	Square Feet	Monthly Rent	$/Sq. Ft./Month	Current Term of Lease
101-02	Giannini	3,320	$667	$0.20	9/1/77 - 8/31/32
101-65	Giannini	3,340	$1,200	$0.36	Month to Month
101-66	Giannini	1,140	$550	$0.48	Month to Month
101-64*	Federal Auto Parks	3,137	$1,550	$0.49	Month to Month
Total		10,937	$3,967	$0.36	

* Parcel 101-64 totals 24,500 square feet, with rent totalling $12,113 per month, although the portion included in Parcel D is shown above.

Attachment III

Octavia Boulevard Project Budget

Project Revenues	
Land Sales	$ 41,500,000
Lease Revenues	$ 1,600,000
Prop B - TSM Contribution	$ 1,000,000
Prop B - Oak Street Resurfacing	$ 444,000
Interest Income	$ 250,000
Total Revenue	**$44,794,000**

Project Elements		Phase I	Phase II	Start	Complete
Conceptual Design & Preliminary Engineering	$ 274,000	$ 274,000			
Project Management	$ 1,528,000	$ 1,005,000	$ 523,000		4th Qtr 2006
Land Management	$ 1,271,000	$ 1,121,000	$ 150,000		3rd Qtr 2005
Traffic Management Plan	$ 5,733,000	$ 4,610,000	$ 1,123,000		3rd Qtr 2006
Traffic System Management	$ 4,806,000		$ 4,806,000	4th Qtr 2004	4th Qtr 2005
Boulevard Design	$ 1,281,000	$ 1,281,000			2nd Qtr 2003
Public Art	$ 227,000	$ 227,000		3rd Qtr 2003	3rd Qtr 2004
Boulevard Construction	$ 13,071,000	$ 13,071,000		3rd Qtr 2003	3rd Qtr 2004
Oak Street Resurfacing	$ 444,000	$ 444,000		3rd Qtr 2003	3rd Qtr 2004
Construction Management	$ 1,600,000	$ 1,600,000		3rd Qtr 2003	3rd Qtr 2004
Design Support	$ 424,000	$ 424,000		3rd Qtr 2003	3rd Qtr 2004
Archaeology	$ 1,200,000	$ 1,200,000		3rd Qtr 2003	1st Qtr 2004
Van Ness Avenue Resurfacing	$ 4,234,000		$ 4,234,000	2nd Qtr 2005	3rd Qtr 2006
Ancillary Projects	$ 5,476,000	$ 100,000	$ 5,376,000	4th Qtr 2004	2nd Qtr 2006
Maintenance	$ 725,000		$ 725,000	4th Qtr 2004	3rd Qtr 2007
Project Cost	**$42,294,000**	**$25,357,000**	**$16,937,000**		
Financing Costs	$ 2,500,000	$ 300,000	$ 2,200,000		
Total Project Cost	**$44,794,000**	**$25,657,000**	**$19,137,000**		

We are seeking a motion of support to award a contract to Systan Inc for the Public Awareness Campaign for the Central Freeway/ Octavia Boulevard project.

ALTERNATIVES

1 Recommend a motion of support, as requested.

2. Recommend a motion of support with modifications

3. Defer action, pending additional information or further staff analysis.

FINANCIAL IMPACTS

City and County of San Francisco

Real Estate Division
Administrative Services Department

Attachment IV

MEMORANDUM

March 26, 2003

VIA FACSIMILIE

TO: Debra Newman
Office of the Budget Analyst

FROM: Jerry Romani
Principal Real Property Officer

SUBJECT: Independent Appraisal of the Market Value of Central Freeway Parcel D (Lot 73, Block 768)

In February 2003, we received an appraisal addendum from Carneghi-Bautovich & Partners, Inc. for the subject property. The estimated fee simple value was $1,170,000. The value was based upon a land value of $125/sf or $1,367,125 (rounded to $1,370,000) less the following deductions:

Parcel D rounded value conclusion:	$1,370,000
Less 5% negative adjustment for added 3% affordable housing	$ 68,500
Value assuming 15% affordable housing	$1,301,500
Rounded	$1,300,000
Less net present value of Giannini leasehold	$ 130,000
Estimated fee simple value less the Giannini leasehold	$1,170,000

Should you have any questions, please contact me at 554-9876.

(415) 554-9850
FAX: (415) 552-9216

Office of the Director of Property
25 Van Ness Avenue, Suite 400

San Francisco, 94102

City and County of San Francisco

Real Estate Division
Administrative Services Department

Attachment V

MEMORANDUM

March 27, 2003

VIA FACSIMILIE

TO: Debra Newman
Office of the Budget Analyst

FROM: Jerry Romani
Principal Real Property Officer

SUBJECT: City Planning Code Section 313.6, In-Lieu Fee for Non-residential Development of Central Freeway Parcel D (Lot 73, Block 768)

In accordance with the provisions of the Declaration of Covenants, Conditions and Restrictions on Property (the "Declaration"), executed by the Giannini Living Trust (the "Buyer"), the Buyer is subject to payment of a one-time in-lieu fee should the following occur:

1. In the event the subject property is developed with a non-residential project, Sec. 2(a) of the Declaration would require the Buyer to make a one-time payment to the City in an amount equal to the applicable in-lieu fee (dependent upon the type of development constructed, e.g. retail, office etc.).

   To illustrate the amount of fee due on a non-residential development, we assume that an 80,000 square foot office/retail project is built with a 60,000 sf office and 20,000 retail sf ratio. Based upon the fee schedule, contained in Planning Code Sec. 313.6, of $14.96/sf for office space and $13.95/sf for retail space, the in-lieu fee would total $1,176,600.

2. In the event the subject property is developed with a residential project but the 15% affordable housing requirement is not met, Sec. 3 of the Declaration would require the Buyer to make a one-time payment to the City in amount equal to the highest in-lieu fee.

   To illustrate the amount of fee due should the developer not comply with the required 15% affordable housing requirement, we assume a 75,000 square foot condominium development containing fifty 1,500 sf condo units. Of the fifty units seven are to be affordable. The seven affordable units would comprise an area of 10,500 sf and after applying the highest in-lieu fee of $14.96/sf yields an in-lieu fee of $157,080.

Should you have any questions, please contact me at 554-9876.

Item 2 – File 03-0514

Department: Airport
Police Department

Item: Hearing to request release of reserved funds in the amount of $182,000 to be used by the Airport for the K-9 Explosives Detection Team Program.

Amount: $182,000

Source of Funds: Federal Aviation Administration (FAA)

Description: The Airport's K-9 Explosives Detection Team Program, which includes one Police Sergeant, ten Police Officers, and eleven dogs from the Airport Bureau of the Police Department, responds to bomb threats, checks air mail parcels, and actively patrols facilities and terminals at San Francisco International Airport, and at other Bay Area airports, and other municipalities under mutual assistance agreements with the Airport.

In August of 1999, the Board of Supervisors approved a resolution authorizing acceptance of $494,500 in grant funds from the Federal Aviation Administration for reimbursement of costs incurred by the Airport's K-9 Explosives Detection Team Program, and authorized the expenditure of $312,500 (File 99-1303). Because the Airport could not provide the Finance Committee with specific costs to be reimbursed for $182,000 of the $494,500, the Finance Committee reserved the $182,000, pending the receipt of budgetary information concerning specific reimbursements for the $182,000. The Airport is now requesting that the Finance and Audits Committee release the balance of $182,000 ($494,500 less $312,500) currently on reserve.

According to Ms. Martha Peterson of the Airport, the $182,000 will be expended for vehicles and other equipment for the Airport's K-9 Explosives Detection Team Program.

Budget: As shown in the summary budget below, the $182,000 in reserved funds would be used to purchase five vehicles and related equipment.

Description	Amount
Five vehicles	$147,441
Five Mobile Radios	22,738
Five Camper Shells	7,866
Five "Hot Dogs" Units	3,066
Reimbursement For Expenses Previously Incurred – K-9 Officer Salaries	889
Total	$182,000

The Airport has provided a description of the above items and additional budget details as shown in Attachment I of this report. Captain Mario Gonzalez of the Police Department has also provided the Budget Analyst with copies of the vendor quotes which support the equipment prices shown in the above budget.

Comments:

1. Captain Gonzalez advises that the annual maintenance costs for the five vehicles would total an estimated $200 each, or $1,000 annually and would be included in the Airport's annual budget, subject to Board of Supervisors appropriation approval.

2. According to Ms. Peterson, the FAA reimburses the Airport for expenditures incurred for the Airport's K-9 Explosives Detection Team Program. The FAA allows the Airport to expend the FAA grant funds it receives within a number of specified expenditure categories as shown in Attachment II, provided by Ms. Helen Lucas of the Airport.

3. As noted in the summary budget above and as shown in Attachment I, $889 of this expenditure request would be applied to the reimbursement of Airport costs incurred for $889 of K-9 Police Officer salary expenditures.

Recommendation: Approve the release of reserved funds in the amount of $182,000.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Budget for $182,000 Reserved Funds

Description	Amount
Five (5) Ford F150 Crewcab Pickup Trucks with Manufacturer upgrades. $29,488.13 (incl tax) x 5 vehicles	$147,440.65
Five (5) Motorola Astro Spectra Mobile Radios $4547.58 (incl tax) x 5 units	$22,737.91
Five (5) NPN 100XL Camper Shells $1573.25 (incl tax) x 5 shells	$7,866.25
Five (5) Hot Dog with Pager Systems $613.16 (incl tax and shipping) x 5 units	$3,065.78
Reimbursement to the Airport for already expended K-9 Officer salaries	$889.41
Total:	$182,000.00

Budget Details

Ford F150 Crewcab Pickup Trucks - These vehicles will be used by the Airport Bureau's Canine Handlers to transport their dogs and necessary equipment to and from their homes and to calls.
The additional manufacturer upgrades include:
3.55 Axel Ratio w/ limited slip differential.
Class III Trailer Towing Package - class III frame mounted hitch receiver, 7-pin trailer wiring harness, 72 amp-hour battery, HD shock absorbers.
Black Platform-Type Cab Steps.
Manual Sliding Rear Window.
Motorola Astro Spectra Mobile Radios - These vehicles must be outfitted with radios that can be used in San Mateo County, SFIA, and San Francisco. Radios are necessary for communication between the Bureau or County and the handler in the field. This is also necessary as it allows the officer to call for additional units should this become necessary.
NPN 100XL Camper Shells - The bed area of the truck must be covered in order to keep it's contents dry and secure. Training aids (ex. Explosives) will be carried in the bed as well as food (for the dog) and other necessary items.
Hot Dog with Pager Systems - This unit is vital for the protection and health of the dog. When the temperature exceeds the programmed setting, the Hot Dog

lowers the electric windows and activates the vehicles horn and lights to alert the handler. This unit also notifies the handler by optional pager that the temperature has exceeded - range up to 2 miles.

Salaries - The Airport is partially reimbursed by the K-9 Grant for funds already expended. Funds are traditionally used to reimburse the Airport for funds already spent on the K-9 Program.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO
MEMORANDUM

TO: Harvey Rose **DATE:** March 26, 2003

THROUGH: Leo Fermin

FROM: Helen Lucas

SUBJECT: TSA (FAA) K-9 Explosives Detection Grant expenditure categories

Per your request, I am writing to provide additional information regarding the eligibility for Transportation Security Administration (TSA) (formerly Federal Aviation Administration / FAA) K-9 Grants.

Per the cooperative agreement between the San Francisco International Airport and the Transportation Security Administration (TSA), the categories for direct costs reimbursement are as follows:

K-9 Handler salaries
K-9 Handler overtime
K-9 Handler Uniforms (laundry)
K-9 Food and Kenneling
K-9 Veterinary Care (medication)
K-9 Kennels (purchase)
Vehicles to transport K-9
Vehicles Care and Maintenance
Vehicle Equipment (radios, caging, lights and sirens)
K-9 Handler Training / Travel
K-9 Explosives Training Aids (commercial)
ATF approved explosives storage magazine
Purchase of locally procured K-9

As far as reimbursement, the San Francisco Police Department sends the TSA monthly reports, which include payroll records and receipts for authorized expenditures. This FAA grant partially reimburses the Airport for funds expended on the K-9 program. Funds are traditionally used to reimburse the Airport for funds spent in the above categories.

City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, April 09, 2003 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

Meeting Convened

The meeting convened at 12:36 p.m.

REGULAR AGENDA

030212 **[2003 Annual Fundraising Drive]**

Hearing to consider applications from various agencies to participate in the 2003 Annual Joint Fundraising Drive.

1/23/03, RECEIVED AND ASSIGNED to Finance Committee.
1/23/03 - From Community Health Charities
2/5/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.
2/7/03 - From San Francisco Youth Fund.
2/14/03 - From Local Independent Charities of America (LIC)
2/14/03 - From United Way
2/24/03 - From Global Impact
2/25/03 - From Bay Area Black United Fund, Inc.
2/26/03 - From Earth Share of California

Heard in Committee. Speakers: Jill Lerner, Administrative Services; Harvey Rose, Budget Analyst; Supervisor Sandoval.

PREPARED IN COMMITTEE AS A RESOLUTION.

Resolution designating those agencies qualified to participate in the 2003 Annual Joint Fundraising drive for officers and employees of the City and County of San Francisco.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Sandoval
Absent: 1 - McGoldrick

020592 **[Modifying collection procedures for the Transit Impact, Housing, Child Care, Park and Inclusionary Housing Fees by transferring responsibility for collection and enforcement to the Treasurer]**

Supervisors Peskin, McGoldrick

Ordinance (1) amending the Planning Code by amending Sections 139, 313.1, 313.4, 313.5, 313.6, 313.7, 313.8, 313.9, 313.10, 314.1, 314.4, 315.3 and 315.6 to transfer collection authority for in lieu fees collected for the Park Fund, the Jobs-Housing Linkage Program, Child Care Requirement and the Inclusionary Affordable Housing Program from the Controller to the Treasurer and conform collection procedures for these fees; and (2) amending the Administrative Code by amending Sections 38.1, 38.3, 38.4, 38.5, 38.6, 38.8, 38.8.5, 38.9, 38.10, 38.11 and 38.45 to transfer collection of the Transit Impact Development Fee from the General Manager of the Public Utilities Commission to the Treasurer and conform collection and enforcement procedures for the fee.

4/15/02, RECEIVED AND ASSIGNED to Finance Committee. 4/19/02 - Transmitted to Planning Commission for public hearing and recommendation.

1/9/03, RESPONSE RECEIVED. Certificate of Exemption/Exclusion from Environmental Review dated 6/13/02.

2/5/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

3/18/03, SUBSTITUTED. Supervisor Peskin submitted a substitute ordinance bearing new title and requested this item be scheduled for consideration at the March 2, 2003 meeting.

3/18/03, ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Supervisor Peskin; Supervisor McGoldrick; Shana Margolis, Treasurer/Tax Collectors' Office; Gerald Green, Director, Planning Department; Supervisor Sandoval; Ed Harrington, Controller; Brenda Lopez, Director, DCYF; Harvey Rose, Budget Analyst; Ted Lakey, Deputy City Attorney; Susan Leal, Treasurer; Ken Cleveland; Robert McCarthy; Candace Wong, Family Center Director, Wu Yee Children's Sevices; Melinda Felice, CPAC; Yolanda Jenkins, Starting Points; Claudia Siegman, Childcare Facilities Fund; Joe Wilson, Coleman Advocates.

Amendment of the Whole, further amended on page 56, lines 6 and 7; delete "office and hotel" and insert "commercial".

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance (1) amending the Planning Code by amending Sections 139, 313.1, 313.4, 313.5, 313.6, 313.7, 313.8, 313.9, 313.10, 314.1, 314.4, 314.5, 315.3 and 315.6 to transfer collection authority for in lieu fees collected for the Park Fund, the Jobs-Housing Linkage Program, Child Care Requirement and the Inclusionary Affordable Housing Program from the Controller to the Treasurer and conform collection procedures for these fees, and require that funds from the Child Care Capital Fund and the Dowontown Park Fund be used to fund nexus studies for the Downtown Park Fee and the Child Care Fee; and (2) amending the Administrative Code by amending Sections 38.1, 38.3, 38.4, 38.5, 38.6, 38.8, 38.8.5, 38.9, 38.10, 38.11 and 38.45 to transfer collection of the Transit Impact Development Fee from the General Manager of the Public Utilities Commission to the Treasurer and conform collection and enforcement procedures for the fee.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030398 **[Lease of Real Property]**

Resolution approving and authorizing a lease between the City and County of San Francisco, as lessee, and Mannar Investment Company, a California Limited Partnership, as lessor, of warehouse space at 2348 Jerrold Avenue, San Francisco. (Real Estate Department)

(Public Benefit Recipient; District 10.)

3/11/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Steve Liganitti, Real Estate Department.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Sandoval
Absent: 1 - McGoldrick

030390 [Reserved Funds, Mayor's Office of Community Development]

Hearing to consider release of reserved funds, Mayor's Office of Community Development (Resolution No. 285-02), in the amount $41,667 to fund the South of Market Foundation/Urban Solutions revitalization project in SOMA and in particular on Sixth Street. (Mayor)

3/7/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Head in Committee. Speakers: Supervisor Peskin; Harvey Rose, Budget Analyst; Roger Sanders, Director, MOCD.

Release of reserves in the amount of $41,667 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

LITIGATION

Conference with City Attorney

[Convene in Closed Session]

Motion that the Finance and Audits Committee convene in closed session with the City Attorney, under the provisions of Government Code Section 54956.9 (a) and Administrative Code Section 67.8 (3), for the purpose of conferring with, or receiving advice from, the City Attorney regarding proposed settlement listed below.

Unanimous vote to convene in closed session by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030478 [Settlement of Lawsuit - Heller Ehrman White & McAuliffe LLP]

Supervisor Gonzalez

Ordinance authorizing settlement of the lawsuit filed by Heller Ehrman White & McAuliffe LLP, a Limited Liability Partnership, and Heller Ehrman White & McAuliffe, a California Professional Corporation, against the City and County of San Francisco for $153,000.00; the lawsuit was filed on May 16, 2001 in San Francisco Superior Court, Case No. 321-383; entitled Heller Ehrman White & McAuliffe LLP, et al., v. City and County of San Francisco; the settlement includes any claims for the 2000 tax year.

(Public Benefit Recipient.)

3/26/03, RECEIVED AND ASSIGNED to Rules Committee.

4/2/03, TRANSFERRED to Finance and Audits Committee.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030479 [Settlement of Lawsuit - CNET Networks, Inc.]
Supervisor Gonzalez

Ordinance authorizing settlement of the lawsuit filed by CNET Networks, Inc., against the City and County of San Francisco for $137,541.00; the lawsuit was filed on July 5, 2002 in San Francisco Superior Court, Case No. 409-891; entitled CNET Networks, Inc. v. City and County of San Francisco; the settlement includes any claims for the 2000 tax year.

(Public Benefit Recipient.)
3/26/03, RECEIVED AND ASSIGNED to Rules Committee.
4/2/03, TRANSFERRED to Finance and Audits Committee.
RECOMMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

030480 [Settlement of Lawsuit - Freeman Decorating Co. and TFC Management, Inc.]
Supervisor Gonzalez

Ordinance authorizing settlement of the lawsuit filed by Freeman Decorating Co. and TFC Management, Inc., against the City and County of San Francisco for $37,500.00; the lawsuit was filed on April 27, 2001 in San Francisco Superior Court, Case No. 320-869; entitled Freeman Decorating Co., et al., v. City and County of San Francisco; the settlement includes any claims for the 2000 tax year.

(Public Benefit Recipient.)
3/25/03, RECEIVED AND ASSIGNED to Rules Committee.
4/2/03, TRANSFERRED to Finance and Audits Committee.
RECOMMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

030481 [Authorization to make a binding settlement offer - Federated Western Properties, Inc.]
Supervisor Gonzalez

Ordinance authorizing the City Attorney to make an offer to allow judgment pursuant to California Code of Civil Procedure Section 998 in Macy's West, Inc.; Federated Western Properties, Inc. (successor in interest to Broadway Stores, Inc., dba Macy's); Federated Systems Group, Inc.; Macy's.com, Inc. v. City and County of San Francisco San Francisco Superior Court No. 313930, for a total amount not to exceed $3,300,000.00; and in no event any amount that would create liability to the City pursuant to the Most Favored Nations Clause in the General Motors Corporation v. City and County of San Francisco San Francisco Superior Court No. 301510 (Court of Appeal No. A091914) and Eastman Kodak Company v. City and County of San Francisco San Francisco Superior Court No. 302983 (Court of Appeal No. A091910) ("GM cases") Settlement Agreements.

(Public Benefit Recipient.)
3/26/03, RECEIVED AND ASSIGNED to Rules Committee.
4/2/03, TRANSFERRED to Finance and Audits Committee.
RECOMMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

Report on Closed Session

Deputy City Attorney Ted Lakey reported that the Finance and Audits Committee has met in closed session with the City Attorney, under the provisions of Government Code Section 54956.9 (a) and Administrative Code Section 67.8 (3), for the purpose of conferring with, or receiving advice from, the City Attorney regarding settlements in the lawsuits or claims listed above.

[Elect Not to Disclose]
Motion that the Committee finds that it is in the best interest of the public that the Committee elect at this time not to disclose its closed session deliberations concerning the anticipated litigation listed above.

Unanimous vote not to disclose discussion to the public by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 2:24 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

April 3, 2003

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: April 9, 2003 Finance and Audits Committee Meeting

Item 1 - File 03-0212

Department: Department of Administrative Services (DAS)

Item: Hearing to consider the applications from various agencies to participate in the City's 2003 Annual Joint Fundraising Drive.

Description: Section 16.93-3 of the Administrative Code requires the Department of Administrative Services (a) to review all applications from charitable organizations and any Mayor's Fund which request to participate in the City's Annual Joint Fundraising Drive, and (b) to recommend to the Board of Supervisors applications which qualify to participate in the City's Annual Joint Fundraising Drive in accordance with criteria set forth in Section 16.93-2 of the Administrative Code.

The Department of Administrative Services reports that it has reviewed the applications from six charitable organizations and one Mayor's Fund, for a total of seven applicants, that have applied to participate in the City's 2003 Annual Joint Fundraising Drive in accordance with the criteria delineated in Section 16.93-2 of the Administrative Code. The Department of Administrative Services reports that all six charitable organizations and

one Mayor's Fund comply with the Administrative Code Section 16.93-2 criteria and recommends that all seven organizations be approved to participate in the City's 2003 Annual Joint Fundraising Drive. The summary of findings reported by the Department of Administrative Services is contained in the Attachment of this report.

Section 16.93-4 of the Administrative Code also requires that the Board of Supervisors designate, by resolution, those applicants that qualify to participate in the 2003 Annual Joint Fundraising Drive. The six charitable organizations and one Mayor's Fund that have applied and been recommended by the Department of Administrative Services to participate in the City's 2003 Annual Joint Fundraising Drive are as follows:

- Bay Area Black United Fund, Inc.
- Community Health Charities
- Earth Share of California (Environmental Federation of California)
- Local Independent Charities
- Global Impact (formerly known as International Service Agencies)
- United Way of the Bay Area
- San Francisco Youth Fund (formerly known as the Mayor's Youth Fund)

Comments:

1. According to Ms. Jill Lerner of the Department of Administrative Services, all seven organizations have met the criteria established by the Board of Supervisors as delineated in the Administrative Code. Details of the required criteria are contained in the Attachment provided by the Department of Administrative Services.

2. The seven applicants which have been recommended by the Department of Administrative Services to participate in the City's 2003 Annual Joint Fundraising Drive were previously approved by the Board of Supervisors to participate in the City's 2002 Annual Joint Fundraising Drive. According to Ms. Lerner, the Mayor's Fund for Homelessness and the Mayor's Youth Employment for the Summer Fund, two of the Mayor's Funds which were previously approved by the Board of Supervisors to participate in the City's 2002 Annual Joint Fundraising Drive, will not participate in the City's 2003 Annual Joint

Fundraising Drive because, according to Ms. Lerner, (a) the application from the Mayor's Fund for Homelessness was received by the Clerk of the Board of Supervisors on March 6, 2003, subsequent to the application deadline date of March 1, 2003, as specified in the Administrative Code, and (b) an application from the Mayor's Youth Employment for the Summer Fund was not received by the Clerk of the Board of Supervisors.

Recommendations:

1. Approval of this item is a policy matter for the Board of Supervisors.

2. If the Committee concurs with the recommendations of the Department of Administrative Services, prepare in and report out a resolution designating the seven qualifying charitable organizations, as recommended by the Department of Administrative Services, to participate in the City's 2003 Annual Joint Fundraising Drive.

SUMMARY OF FINDINGS

2003 Review of Applications
To Participate in Annual Fundraising Drive

SUMMARY OF METHODOLOGY AND FINDINGS

Our review consisted of an examination of the materials provided in File No. 030212 and telephone conversations with representatives from applicant organizations. We were advised by Deputy City Attorney Ted Lakey that telephone inquiries were appropriate to clarify information supplied by the applicants. This is the same method we have used in past years to prepare this report to the Board of Supervisors.

All nine organizations that applied for participation in the 2003 Joint Fundraising Drive were in compliance with the criteria established by the Board of Supervisors as delineated in the Administrative Code.

CRITERIA

Following is a list of the criteria established by the Board of Supervisors and information as to how the applicants met each requirement. New legislation enacted in 1997 includes in the annual joint fund-raising drive any Mayor's fund that is created to further social causes. Under Administrative Code Section 16.93-2, only subsections (b), (c) and (e) apply to the Mayor's funds. All other agencies must satisfy subsections (a) through (e).

Criterion A: Be a federated agency representing ten (10) or more charitable organizations of which 50 percent shall represent organizations located in the counties of San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa and Marin.

According to the City Attorney, "located in the counties" may be defined as having offices, fundraising or otherwise doing business in those counties.

1. Bay Area Black United Fund, Inc.

   Bay Area Black United Fund, Inc. represents more than 50 agencies, all of which are located in the Bay Area.

2. Community Health Charities

   Community Health Charities represents more than 40 health agencies of which 50 percent or more are located in the Bay Area.

3. Earth Share of California (Environmental Federation of California)

   Earth Share of California represents over 85 agencies of which 50 percent or more are located in the Bay Area.

4. Global Impact

   Global Impact represents over 40 agencies of which 50 percent are located in the Bay Area.

5. Local Independent Charities (LIC)

   Local Independent Charities represents over 160 agencies of which 50 percent or more are located in the Bay Area.

6. United Way of the Bay Area

   United Way of the Bay Area represents over 500 agencies of which 50 percent or more are located in the Bay Area.

Criterion B: The federated agency or Mayor's fund must certify to the Board of Supervisors that the Federal Internal Revenue Service has determined that contributions to all of the represented charitable organizations or Mayor's funds are tax deductible.

Based on consultation in years past with the City Attorney, we have concluded that all the applicants complied with this requirement.

Criterion C: The federated agency must have been in existence with 10 or more qualified charities for at least one year prior to the date of application and provide satisfactory evidence to that effect at the time of filing an application with the Board. Mayor's funds shall submit their most recent financial statement to the Board of Supervisors on an annual basis.

This criterion was met by all agencies.

Criterion D: The federated agency must submit its most recent certified audit at the time of filing an application with the Board.

The applicant agencies provided these documents, as detailed below:

1. Bay Area Black United Fund, Inc. provided a Financial Statement dated December 31, 2001 with an Auditor's Report by Ravinder Singh & Associates, dated April 1, 2002.

2. Community Health Charities of California provided a Financial Statement for the year ended June 30, 2002, with an Independent Auditors' Report prepared by Rooney, Ida, Nolt and Ahern, CPAs, dated August 6, 2002.

3. Earth Share of California provided Financial Statements for the years ended September 30, 2001 and 2000 along with the Auditors' Report by Bregante & Company, LLP, dated December 20, 2001.

4. Global Impact provided Financial Statements for the years ended June 30, 2002 and 2001 with an Independent Auditor's Report by the BDO Seidman, LLP, dated April 16, 2001.

5. Local Independent Charities provided Financial Statements for the years ended April 30, 2002 and 2001 with an Independent Auditor's Report by Maze & Associates Accountancy Corporation, dated September 3, 2002.

6. United Way of the Bay Area provided combined Financial Statements for the years ended June 30, 2002 and 2001 with a Report of Independent Certified Public Accountants by Grant Thornton, LLP, dated October 24, 2002.

7. The San Francisco Youth Fund is served by the Every Child Can Learn Foundation as its fiscal agent. Financial Statements for the years ended June 30, 2002 and 2001 were provided along with an Independent Auditors' Report by Hood & Strong, LLP, dated August 30, 2002.

Criterion E: Agencies that wish to participate in the Annual Drive are required to submit applications to the Board of Supervisors that include all information that may be relevant to the criteria listed in the Section.

As stated earlier in this report, the City Attorney advised that the applications may be considered complete, although clarification may have been necessary to conduct this review.

All applicants provided documentation in their letters of application to the Board of Supervisors or confirmed by telephone that they are in compliance with the requirements of Section 16.93-2. This constitutes "certification."

Therefore, all applicants were in compliance with Criterion E.

Subject: 2003 Annual Fundraising Drive File 030212
Finance and Audits Committee

Combined Charities Contact List

Linda Laws, Clerk
Finance and Audits Committee
Telephone: (415) 554-4441

Applicant Organization	Contact Person
Bay Area Black United Fund, Inc. (BABUF) 1212 Broadway, Ste.730 Oakland, CA 94612	Woody Carter Executive Director (510) 763-7270 (510) 763-1155 (F)
Community Health Charities 2363 Boulevard Circle, Ste, 105 Walnut Creek, CA 94595	Carlynn Williams Executive Director (925) 947-5771 (925) 947-5772 (F)
Earth Share of California 49 Powell Street, Ste. 510 San Francisco, CA 94102	Susan Hamilton Executive Director (415) 981-1999x303 (415) 981-3773 (F)
Global Impact 66 Canal Center Plaza, Ste. 310 Alexandria, VA 22314	Jim Hill Regional Representative (510) 482-0118 (510) 482-5646(F)
Local Independent Charities 21Tamal Vista Blvd., Ste. 209 Corte Madera, CA 94925	Jennifer Durney Campaign Services (800) 876-0413 (415) 924-1379 (F)
United Way of the Bay Area 50 California Street, Ste. 200 San Francisco, CA 94111	Michael Gulley Development Officer (415) 772-4229 (415) 986-3605 (F)
San Francisco Youth Fund C/o Asian American Recovery Services 965 Mission St., Ste. 325 San Francisco, CA 94103	Jeff Mori Executive Director (415) 541-9285

Item 2 - File 02-0592

Note: According to the Sponsor's Office, an Amendment of the Whole will be introduced at the April 9, 2003 Finance and Audits Committee Meeting that requires a nexus study for the childcare and open space fees. This report does not reflect the Amendment of the Whole to be introduced on April 9, 2003 and includes only limited analysis of the Inclusionary Affordable Housing Program Fee, because, as of the writing of this report, the Planning Department has not provided the Budget Analyst with pertinent information pertaining to the Inclusionary Affordable Housing Program Fee.

Departments: City Planning Department (Planning)
Treasurer/ Tax Collector (Treasurer)
Public Utilities Commission (PUC)
Department of Building Inspection (DBI)
Municipal Railway (MUNI)
Mayor's Office of Housing

Item: Ordinance amending the City's Planning Code and Administrative Code to centralize the collection and standardize collection procedures in the Treasurer's Office for the (a) Jobs-Housing Linkage Program Fee, (b) the Inclusionary Affordable Housing Program fee, (c) Childcare Requirement Fee, (d) Downtown Park Fee, and (e) the Transit Impact Development Fee.

Description: Fees are assessed on new development projects in San Francisco to offset the resulting increased costs on services provided by the City. Developers in San Francisco are required to pay one or more of the following six fees: 1) Jobs-Housing Linkage Program Fee (housing fee), 2) the Inclusionary Affordable Housing Program Fee (inclusionary housing fee), 3) Childcare Requirement Fee (childcare fee), 4) Downtown Park Fee (park fee), 5) Transit Impact Development Fee (transit fee), and the 6) School Facility Impact Fee (school fee). The school fee is not included in the proposed subject ordinance.

As shown in Attachment I to this report, compiled by the Budget Analyst based on information provided by the Planning Department, the Municipal Railway (MUNI) and the Department of Building Inspection (DBI), the Planning Department currently identifies the projects subject to the housing, childcare, and park fees and

collects such fees.[1] As of the writing of this report, Planning could not provide any information regarding the inclusionary housing fee as discussed below. Currently, DBI identifies the projects subject to the Transit Impact Development Fee and the MUNI collects the transit fee.[2] Currently, DBI is responsible for the enforcement for nonpayment of the housing, inclusionary housing, childcare, park and transit fees by withholding issuance of (a) the building permit in the case of the housing and inclusionary housing fees and (b) the certificate of final completion and occupancy for the transit, childcare, and park fees.[3]

The proposed ordinance would place responsibility for collection of the housing, inclusionary housing, childcare, and park fees in the Treasurer's Office, instead of the current practice of the Planning Department collecting such fees, and would place responsibility for the collection of the transit fee with the Treasurer's Office instead of the current practice of the MUNI collecting this fee. The proposed ordinance would place the responsibility of enforcement for nonpayment of such fees jointly with the DBI and the Treasurer instead of the current practice of just the DBI having such responsibility. Attachment II, provided by Ms. Millicent Bogert of the Controller's Office, explains the nature of each fee and provides additional information regarding these fees, expect for the inclusionary housing fee. As of the writing of this report, the Planning Department has not provided information to the Budget Analyst regarding the inclusionary housing fee pertaining to the number and amounts of such fees collected. Mr. Costolino Hogan of the Planning Department states that he believes the Mayor's Office of Housing is solely responsible for the collection of the inclusionary housing fees. However, Mr. Joe LaTorre of the Mayor's Office of Housing states that the Planning Department is

[1] Section 139 of the City's Planning Code places the responsibility for the collection of the Housing and Childcare fees with the Controller's Office. However, according to Ms. Millicent Bogert of the Controller's Office, the Planning Department collects such fees.

[2] Section 38 of the City's Administrative Code places responsibility for the collection of the City's Transit Impact Development Fee with the General Manager of the Public Utilities Commission. According to the PUC, the MUNI collects such fees.

[3] The housing fee is due at the beginning of a project before the building permit is issued. The transit, childcare and park fees are due at the end of the project, before the certificate of final completion and occupancy is issued.

responsible for collecting the inclusionary housing fees. Based on the information provided, it is unclear as to whether the inclusionary housing fee, which was previously authorized by the Board of Supervisors in March of 2002, is currently being charged.

Under both the existing Planning Code, Section 306, and provisions of this proposed ordinance, developers of projects are required to pay the subject fees based on the amount of net additional gross floor area that is subject to each type of fee. Under the proposed ordinance, the Planning Department must notify the Treasurer's Office, the Department of Building Inspection (DBI) and the Mayor's Office of Housing of the final determination by the Planning Department of the net addition of gross square feet of each type of space subject to the fees.

Fiscal Impact: No additional fiscal impact is anticipated to the City due to the centralization of collection activities.

Comments: 1. The Controller's report on the "Review of San Francisco's Development Impact Fees," dated May 30, 2001, analyzed the childcare, housing, park, transit and school fees. The Controller's report states that "the current process for fee assessment and collection is not efficient or effective and puts the City at risk for not collecting its fees." The Controller's report made the following recommendations:

- The City should standardize the timing of the collection process and centralize it in the Planning Department.
- The Planning Department should add a full-time staff position to assess and collect the fees.
- The departments concerned should create a working group of representatives from each department to meet quarterly to track projects and fees.
- The Planning Department and the Department of Building Inspection should integrate impact fee recording and notification mechanisms into the databases of both departments.

According to Mr. Hogan, based on the recommendations of the Controller, the Planning Department added a full time 1823 Senior Administrative Analyst with an annual

salary at Step 5 of $76,440, and fringe benefits of $18,346, for a total cost of $94,786. The Board of Supervisors approved this position in the FY 2001-2002 budget and, according to Mr. Hogan, the position was filled on December 5, 2001.

A Management Audit of the San Francisco Planning Department, issued by the Budget Analyst dated June 3, 2002, found the following with regard to impact development fees:

> "It appears that the appropriate fees were collected from all applicable projects, excepting one, in a timely manner and there are other fees that will be due upon the proponents' application for Certificate of Final Completion. Nevertheless, the Budget Analyst supports reinforcement of the Controller's main recommendations, one of which is already implemented with the hiring of a fulltime analyst on November 5, 2001, to focus exclusively on tracking and collecting special fees. The Controller also recommended that the Planning Department collect all of the special fees. The key to implementing this lies within the Information Services Section where work is underway on the interface of Planning's Parcel Information Database with the DBI's Permit Tracking System, and with a scheduled completion date of June 30, 2002."

Regarding implementation of DBI's Permit Tracking System, Ms. Amy Lee of the DBI stated that DBI and Planning have not implemented an interface of Planning's Parcel Information Database with the DBI's Permit Tracking System. Ms. Lee notes that Planning can enter a hold into DBI's Permit Tracking system and that DBI relies on such holds or written notification from Planning regarding delinquent payments in order for DBI to hold the issuance of a building permit or a certificate of final occupancy.

2. As shown in Attachment I to this report, the City collected $17,692,625 in revenue from the housing, childcare, park and transit fees in FY 2000-2001 and $12,567,243 in revenues in FY 2001-2002. Attachment I

also shows that the estimated cost of fee collection was $96,398 in FY 2000-2001 and $73,349 in FY 2001-2002.

According to Mr. Hogan, and as shown in Attachment III, three housing fees assessed in FY 2001-2002 are delinquent for a total of $956,129 in delinquent fees. Mr. Hogan states that despite fee delinquencies, these projects were issued building permits from the DBI. According to Mr. Hogan, the Planning Department is actively trying to collect these delinquent fees. Mr. Hogan also states that the 1823 Senior Administrative Analyst position, hired in December of 2001 exclusively to track the housing, childcare, and park fees and to communicate with DBI and other interested parties, should remedy the problem of the DBI issuing building permits and certificates of final completion and occupancy for projects that have not paid such fees. However, the Budget Analyst notes that a certificate of final completion was issued to a project that, as of January 2003, was delinquent on the childcare fee. This certificate of final completion was issued on November 13, 2002, which is approximately 11 months after the 1823 Senior Administrative Analyst position was hired on November 5, 2001. Additionally, as shown in Attachment IV to this report provided by Ms. Lee, Ms. Lee states that DBI "can not speak to whether the inclusion of a DCP assigned staff person has been helpful in preventing the approval of projects who have not paid impact fees as we have not had experience working with the staff person on preventing or been informed of any procedure that would prevent such approval." Additionally, Ms. Lee notes that the 1823 Senior Administrative Analyst in the Planning Department has not provided any procedures or policies to DBI that would prevent the issuance of permits for those projects that have not paid fees. As previously noted, this position was hired to track and collect the housing, childcare and park fees.

3. According to Ms. Shana Margolis of the Treasurer/Tax Collector's Office and as shown in Attachment V to this report, the one-time costs for the Treasurer's Office to collect the housing, childcare, park and transit fees would be approximately $15,383 for programming, process design and computer setup. Ms. Margolis advises that

the ongoing annual costs for the collection of the fees would be approximately $68,728, of which $60,000 are estimated for legal services to be provided by the Office of the Treasurer and Tax Collector. Ms. Margolis states that the new collection duties of the Treasurer's Office would be absorbed by existing staff and resources and would not require an additional appropriation of funds assuming that Planning and MUNI notify the Treasurer's Office of which projects are required to pay the subject fees based on the amount of net additional gross floor area. The Budget Analyst notes that the proposed ordinance requires that Planning and MUNI provide the Treasurer's Office with such information.

4. Currently, Administrative Code Section 38.1 allows for the imposition of interest on delinquent payments at the rate of one and one-half percent per month for the transit fees, but does not provide for the imposition of interest on delinquent payments for the housing, inclusionary housing, childcare and park fees. The proposed ordinance would authorize the collection of interest on all delinquent fee payments, including the housing, inclusionary housing, childcare, and park fees, at the rate of one and one-half percent per month, or fraction thereof, from the date of issuance of the permit until the date of final payment.

According to Mr. Nickerson, and as described in Attachment VI to this report, the MUNI imposes interest for nonpayment of the transit fee at the rate of one and one-half percent per month, or 18% annually, plus a 10 percent flat penalty. Mr. Nickerson states that all projects have paid fees on time in the last three years, and therefore MUNI has not assessed interest or penalties on such projects.

5. As previously noted, one 1823 Senior Administrative Analyst position was created in the Planning Department in the FY 2001-2002 budget to track and collect the housing, childcare, and park fees at an annual cost of $94,786 in salary and fringe benefits. If the proposed ordinance is approved, the Budget Analyst recommends deletion of this 1823 Senior Administrative Analyst position because the duties which the position was

created to carry out, namely track and collect the housing, childcare, and park fees, would transfer to the Treasurer's Office. Mr. Hogan disagrees with the Budget Analyst's recommendation stating that the position would be needed to provide information to the Treasurer's Office and to follow-up on pertinent questions. However, the Budget Analyst notes that there are only approximately 20 such fees assessed on an annual basis and the responsible 45 Planner I through Planner IV positions who currently identify and calculate the fees could readily provide such data to the Treasurer's Office. Accordingly, the Budget Analyst recommends that the 1823 Senior Administrative Analyst position created in FY 2001-2002 be deleted through attrition should the Board of Supervisors approve the proposed ordinance.

Recommendations:

1. The Budget Analyst recommends that the Finance Committee request the Controller and the Mayor's Budget Office to track the Planning Department's 1823 Senior Administrative Analyst position which was established to focus exclusively on tracking and collecting the housing, childcare, and park fees and to not approve a requisition request to fill this position should the position become vacant. If this proposed ordinance is approved, the Budget Analyst will specifically review this position during the Board of Supervisors consideration of the Planning Department's FY 2003-2004 budget.

2. Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Fee Type*	Housing Fee	Child Care Fee	Park Fee	Transit Fee
Existing Procedures				
Identification of projects subject to the fee	Planning	Planning	Planning	DBI
Fee collection	Planning	Planning	Planning	MUNI
Enforcement for nonpayment	DBI	DBI	DBI	DBI
Proposed Procedures				
Identification of projects subject to the fee	Planning	Planning	Planning	DBI
Fee collection	Treasurer	Treasurer	Treasurer	Treasurer
Enforcement for nonpayment	DBI & Treasurer	DBI & Treasurer	DBI & Treasurer	DBI & Treasurer

**The "School Fee", which DBI identifies, the School District collects, ond DBI enforces for nonpoyment, is not part of the proposed subject ordinonce.*

Fee Type		Housing Fee	Child Care Fee	Park Fee	Transit Fee		TOTAL
Number of Projects (FY 2000-2001)		13	2	3	9		
Revenues Collected (FY 2000-2001)	$	13,397,925.00	110,472	984,228	$3,200,000	$	17,692,625.00
Number of Projects (FY 2001-2002)		9	5	7	12		
Revenues (FY 2001-2002)		$5,698,007	802,979	3,569,257	$2,497,000	$	12,567,243.00

Cost of Collections		Planning		MUNI		TOTAL
FY 2000-2001	$	70,000.00	$	26,398	$	96,397.87
FY 2001-2002	$	57,000.00	$	16,349	$	73,348.74

Source: Budget Analyst's Office, compiled based on information provided by the Planning Department, MUNI and DBI.

Appendix A
Impact Fee Matrix

Criteria	Affordable Housing Fee	Downtown Park Fee	Child-Care Requirement	TIDF	School Fee
City Code and Section*	Planning, Sec.313	Planning, Sec.139	Planning, Sec.314	Admin., Sec. 38	State Education Code, Sec. 17620-17626 Government Code, Sec. 65995-65998
Year fee was approved	1985	1985	1985	1981	1987
Is payment of a fee the only option for developers under this ordinance? (If no, how else can developers comply?)	No—Project sponsors can also donate land or money to developers for the construction of affordable housing.	Yes	No—Project sponsors can build an onsite facility, build a site nearby the development, or contract-out with an existing child-care provider in the city.	Yes	Yes
Type of projects subject to the fee/requirement?	New large scale entertainment, hotel, office, research and development and retail space	New office space	New office and hotel space	New office space	New residential projects > sq. ft. and all new commercial space
Is the fee limited by geographic boundaries? (If yes, what are they?)	No	Yes: C-3 Use District	No	Yes: Downtown Area (defined in Code)	No
Is the fee limited by project size? (If yes, what is the minimum qualifying size?)	Projects ≥ 25,000 sq. ft.	No	Projects ≥ 50,000 sq. ft.	No	No
Does the code require that the fee be reviewed periodically? How often?	Annual reports, annual review and revision	Annual reports and reviewed every 3 years	Annual reports and reviewed every five years	Fee can be reviewed, but not increased	Fees can be reviewed, but cannot be changed without conducting a study
Who identifies projects subject to the fee?	Planning	Planning	Planning	DBI	DBI
Who collects the fee in practice?	Planning	Planning	Planning	MUNI	School District
Who collects the fee per ordinance?	Controller	Planning	Controller	MUNI	School District
When is the fee due?	Before the issuance of first building or site permit	Before Certificate of Final Completion	Before Certificate of Final Completion	Before Certificate of Final Completion	Before Certificate of Final Completion

Source: Controller's Office

	Who spends the fee revenue?	MOH	Rec/Park	DCYF	MUNI	State
	What are the units of impact used in the fee formula?	$11.34/ sq. ft.	$2/sq. ft.	$1/ sq. ft.	$5/sq. ft	Variable rates/sq. ft.
	Does the fee equation use a yearly updated index? (if so, what index?)	Yes - Average Area Purchase Price Safe Harbor Limitations for new Single-Family Residences for the SF PMSA	No	No	No	Fee can be adjusted for inflation
	Year the fee was last reviewed	2000	Not since inception	Not since inception	2001	1994
	Year the fee amount was last changed	February 2001	Not since inception	Not since inception	Not since inception	1994
Fund Information	Fund in which the fee is deposited	Citywide Affordable Housing Fund	Downtown Park Fund	Child-care Capital Fund	MUNI-Transit Impact Development Fund	Remitted to State
	Type of fund	Special Revenue Fund	Special Revenue Fund	Special Revenue Fund	Special Revenue Fund	Remitted to State
	New fee revenues in FY 1997-98	$2,944,863	$78,318	$399,586	$5,643,262	Information not available
	New fee revenues in FY 1998-99	$751,060	$53,440	$844,237	$3,861,915	Information not available
	New fee revenues in FY 1999-00	$11,298,833	$996,731	$635,528	$8,612,531	Information not available
	New fee revenues in FY 2000-01	$9,988,154	$913,785	$120,802	$4,674,336	Information not available
	Expenditures in the past four years	$24,982,910	$2,042,274	$2,000,153	$22,792,044	Information not available
Development Info.	How many projects were subject to the fee in 1997-98?	4	3	4	4	Information not available
	How many projects were subject to the fee in 1998-99?	5	2	4	5	Information not available
	How many projects were subject to the fee in 1999-00?	12	5	11	10	Information not available
	How many projects were subject to the fee in 2000-01?	11	6	1	9	Information not available

* All special fund language will be moved to the Administrative Code
** Based on Planning Commission decisions

Source: Controller's Office

PLANNING DEPARTMENT

City and County of San Francisco • 1660 Mission Street, Suite 500 • San Francisco, California • 94103-2414

MAIN NUMBER (415) 558-6378

DIRECTOR'S OFFICE PHONE: 558-6411 4TH FLOOR FAX: 558-6426

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COMMISSION CALENDAR INFO: 558-6422 INTERNET WEB SITE SFGOV.ORG/PLANNING

MEMORANDUM

DATE: January 2, 2003

TO: Elaine Forbes
Office of the Budget Analyst
San Francisco Board of Supervisors

FROM: Costolino Hogan
Fiscal Officer
San Francisco Planning Department

RE: **Treasurer's Office Proposed Ordinance to Centralize the Collection of Fees**

The following answers response to a set of questions that were presented to the Planning Department on July 22, 2002. These question relate to the ordinance that will centralize the collection of development fees in the Treasurer's Office

1) **What are the number of projects and amount of revenue generated from the housing, child care and park fees in FY 2000-01 and 2001-02?**

   The activity in each fund for the requested time period is detailed in the accompanying attachment.

2) **Will the proposed change to the definition of office space to require that conversions of showroom display space to office use be subject to impact mitigation requirements result in increased revenues? How may of these transitioning uses would Planning estimate we have?**

   Not likely because over the life of the special funds only one case like the above situation in question has presented itself and the Department doesn't expect it happening again for sometime due to the present economic climate.

3) **What are your current costs for the collection of these fees?**

   The current approximate cost to the Planning Department to process deposits into these special funds in approximately $150-200 per deposits depending on if a collection action has to be performed by staff to retain payment. The annual costs are as follows:

   FY 2000-01
   Approximately $70,000 (Cost associated with planners throughout the Department collecting and documenting transactions)

FY 2001-02
Approximately $57,000 (Cost associated with time allocated to the activity by the 1823 Administrative Analyst position)

4) **The proposed ordinance states that if for any reason the fees remain unpaid after issuance of the permit, any amount due would accrue interest at the rate of one and one-half percent per month, or 18 percent annually, and that ultimately the Treasurer may place a lien against the development project for collection purposes. Currently, is interest collected on delinquent fees? Can liens be imposed now?**

Interest in not collected on delinquent fees. Presently the Planning Department has not been given the capacity to impose liens on property owners for the above purpose.

5) **The Controller's audit of 2001 found that (1) Planning was not consistency issuing "Certificate of Occupancy", 2) not consistently recording the amount of new net square footage of projects, and 3) DBI and Planning were not coordinating enforcement of unpaid fees - have these issues been remedied?**

The Planning Department does not issue Certificates of Occupancy. The Department of Building Inspection issues these documents.

The Planning Department does record the amount of net new square footage of projects being built as it relates to proposed office space. Staff calculates this when a final building permit is issued and a final review of proposed plans is conducted.

The issue of coordination has been addressed with the acquisition of a devoted staff person to track activity in each special fund. Over the past year the distribution of this person's time has been as follows:

60 percent - Processing development fee payments
This includes working closely with Department Information Service analysts and planners in tracking and reviewing current and potential development projects that are applicable for in-lieu fee payments. This also includes producing documentation detailing transactions, conducting collection efforts and researching planning codes.

Also this individual produces monthly and quarterly reports detailing activity in each fund and submits this document to the Mayor's Office of Housing, Recreation and Park Department, Mayor's Office of Children Youth and Families and Controller's Office for coordination purposes.

20 percent – Conducting collection of operating revenue
This includes pursuing delinquent payments of fees for services from various project sponsors. This may include instances of non-payment and instances of bounced checks issued to the Department. Other responsibilities include assessment of applicable fees per application and working with planners and Building Inspection staff in issuance of permits and certificates.

20 percent – Special projects as needed
This includes mainly monitoring the effectiveness of the Department fee schedule in an attempt to ensure that the present fee structure covers the cost of services rendered. Activity involves monthly review and tracking of operating revenues to ensure timely collection of payments and review of estimated construction cost for accurate computation of application fees. This individual is also responsible for processing refund requests.

San Francisco Planning Department
Summary of Special Impact Fee Outstanding Accounts

Fiscal Yr.	Case #	Property Address	Special Fund Type	Amount
2001-2002	1994.605	NE Corner of Bayshore Blvd. & Hester Ave	Affordable Housing Fund	$ 135,000.00
2001-2002	1998.885	128 King Street	Affordable Housing Fund	$ 362,880.00
2001-2002	1999.359	945 Bryant Street	Affordable Housing Fund	$ 458,249.40
				$ 956,129.40

Ms. Amy Lee of DBI states that DBI was working on improving the automation of the Permit Tracking System to merge databases and applications within DBI. Although this has been delayed, such automation would only affect the collection of TDIF and School Fees. In the interim, the Department has instituted a policy to ensure that permits are not issued unless the applicant provides proof of payment from MUNI or the School System. The procedure also includes a form to be attached to the application to require payment of such fees. There are also two points of quality control that is used to check whether the permit not only has such a requirement as determined by the appropriate agency but also to double check whether such fees has been paid prior to issuance.

In regards to other fees such as housing, childcare and park fees, a DCP stamp that set out the fees to be collected is stamped on the application. This is the only notification received by DBI and the stamp only summarizes all the fees due to DCP and does not specifies the amounts or types of the various fees.

Currently, if DCP wants DBI to withhold a permit, it provides written notice to the Building Inspection Division to stop work or withhold a certificate of final completion. DCP also has access to DBI's database system to place a discretionary hold on a project or to insert an additional DCP routing station for approval. These current procedures could also be used by DCP to notify DBI if a housing or other impact fee has not be paid. However, it would be incumbent upon DCP staff to determine whether such fees apply as they review the projects. The Department of Building Inspection can not speak to whether the inclusion of a DCP assigned staff person has been helpful in preventing the approval of projects who have not paid impact fees as we have not had experience working with the staff person on preventing or been informed of any procedure that would prevent such approval.

On January 6, 2002, the assigned DCP staff person introduced herself to DBI's permit services manager but to date has not provided any procedure or policy that DBI can assist with that would prevent the issuance of permits for those projects that have not paid impact fees. In the past, the DCP staff person would notify Central Permit Bureau of the total amount of fees they would like DBI to collect. However, the details of the breakdown in the fees, whether they be specific to DCP or impact fees, were determined by DCP and could only be collected subject to DCP informing DBI.

Source: Ms. Amy Lee of DBI, January 7, 2003

Development Impact Fees
Estimated Costs to Treasurer's Office

Ongoing		PTL	BDR	Cashier	Legal	MIS	Total
FTE @ 40 min each	$22.33	2,993					$2,993.00
FTE @ 35 min each	$26.94			943			$943.00
FTE to collect delinq. @ 15-20%	$28.78		2,887				$2,887.00
Vendor Support for CUBS			1,235	170			$1,405.00
Materials and Supplies			500				$500.00
Legal (1 case per year)					$60,000		$60,000.00
Subtotal Ongoing		**$2,993**	**$4,622.00**	**$1,113.00**	**$60,000.00**	**$0.00**	**$68,728.00**

Implementation							
Programming @ 58 hours	$142	7,100		1,136			$8,236.00
Process Design @ 120 hours	$35	4,247					$4,247.00
Internal MIS setup						1,200	$1.200.00
CUBS programming			1500				$1.500.00
Equipment			200				$200.00
Subtotal Implementation		**$11,347.00**	**$1,700.00**	**$1,136.00**		**$1,200.00**	**$15.383.00**

Assumptions
* DBI and Planning notify treasurer of project subject to fee and amount of fee.
* Treasurer's office utilizes existing CUB platform, with electronic interfaces to DBI, Planning and MUNI.
* Property Tax License Account Clerk 1630 administers invoice and collection. Time to invoice is 40 minutes per fee.
* Cashiering receives and posts. Time to cashier is 35 minutes.
* Delinquent revenue collection at a rate of 15-20% annually.
* Legal to litigate one case per year of unpaid fee.

Attachment VI

I. TIDF Administrative expenses

A. Salary and fringes for TIDF Administrator (Principal Admin Analyst 1824)
FY 2000-2001: $13,264 (15 percent of $ 88,429)
FY 2001-2002: $14,596 (15 percent of $97,309)
*15 percent of position spent on collection, 85% on fee identification and calculation

B. Inter-departmental transfers
FY 2000-2001: City Attorney: $ 13,133.87
FY 2001-2002: City Attorney: $ 1,752.74

II. TIDF Revenues

A. New Fees Collected
FY 2000-2001: $ 2,063,000 (9)
FY 2001-2002: $ 6,864,000 (12)

B. Interest Earned
FY 2000-2001: $ 3,227,307
FY 2001-2002: $ 2,198,676

C. Installment Fees
FY 2000-2001: $ 882,000
FY 2001-2002: $ 1,015,000

III. Penalties / Late Charges

No penalties or late fee charges were assessed or collected in either FY 2000-2001 or 2001-2002

IV Definitional Clarification

Currently Muni does not collect a TIDF from new showrooms, therefore the proposed changes in language clarifying the definition of showroom and office space will not affect TIDF collections (except to make the collection of the TIDF more explicitly correct in the case of showrooms converting to office use.)

Source: MUNI, January 6, 2003

Item 3 - Files 03-0398

Department: Department of Administrative Services, Real Estate Division
San Francisco Police Department (SFPD)

Item: Resolution approving and authorizing a new lease between the City and County of San Francisco on behalf of the San Francisco Police Department, as lessee, and Mannar Investment Company, a California Limited Partnership, as lessor, of warehouse space at 2348 Jerrold Avenue, San Francisco.

Location: 2348 Jerrold Street: the entire one story warehouse building, consisting of approximately 11,000 square fee which accommodates approximately 30 vehicle, and one exterior parking space which accommodates 1 vehicle.

Purpose of Lease: Approximately 11,000 square feet for the storage of evidence in criminal narcotics cases so that such evidence is available during court proceedings (see Comment No. 1).

Lessor: Mannar Investment Company

Lessee: City and County of San Francisco, on behalf of the San Francisco Police Department, through the Real Estate Division

Term of Lease: Five years, commencing approximately on May 1, 2003, and terminating on April 30, 2008.

Right of Renewal: One additional five-year option with rent to be adjusted by the Consumer Price Index (see Comment No. 5).

Monthly and Annual Rent Payable by the City to Mannar Investment: The monthly rent payable by the City to the lessor, Mannar Investment Company, would be $5,650 monthly or approximately $0.514 per square foot per month or $67,800 annually. The rent would remain the same during the five-year lease term.

Source of Funds: Narcotic Asset Forfeiture Fund, subject to the annual appropriation approval of the Board of Supervisors.

Utilities: The subject lease states that the "landlord shall furnish to the Premises electricity, water, sewer and gas services, in good working order; provided, however, [that the] City shall pay, at its cost, all utilities and services used by it to the Premises." According to Captain John Goldberg of the San Francisco Police Department, the City would pay approximately $1,200 annually for utilities.

Comments: 1. According to Lieutenant Albert Pardini of the San Francisco Police Department, the Police Department is required to store evidence pertaining to criminal narcotics cases so that such evidence is available during court proceedings. Lieutenant Pardini states that this evidence includes, for example, such items as impounded vehicles, equipment used in the production of synthetic narcotics, and green house materials and lights used for growing marijuana.

2. According to Mr. Ken Chopping of the Division of Real Estate, under a License Agreement with the Navy, the Police Department occupies 8,000 square feet of storage space in Building No. 128, owned by the Navy at the Hunters Point Naval Shipyard. However, according to Lieutenant Pardini, the Navy has informally allowed the Police Department to use a total of approximately 8,000 square feet, or an additional 3,000 square feet (8,000 less 5,000). However, the Navy is only charging the Police Department for 5,000 square feet of that space at a rental rate of $1,100 monthly ($13,200 annually) or $.22 per square foot per month. Although the License Agreement with the Navy expired on January 31, 2003, the Police Department has continued to occupy Building No. 128 at the same rental rate. Lieutenant Pardini advises, however, that the Navy has informed the City that Building No. 128 is unsafe for continued occupancy.

3. The monthly rental rate of $5,650 for the proposed new lease represents an increase of $4,550 over the existing monthly rental rate of $1,100 or an increase of approximately 414 percent. The Police Department will be occupying approximately 3,000 more square feet under the proposed lease (11,000 proposed, less 8,000 existing). Attachment I to this report, provided by Lieutenant Pardini, and Attachment II provided by Mr. Chopping contains the justifications of the

Police Department and the Real Estate Division for leasing the additional 3,000 square feet of space.

4. According to Captain John Goldberg of the Police Department, moving costs will be approximately $4,000. Captain Goldberg states that the funding source, of (a) the moving costs and (b) the rental cost difference between the rent being charged by the Navy and rent to be charged under the proposed lease for May and June of 2003 is available from existing monies previously appropriated by the Board of Supervisors from the Narcotics Asset Forfeiture Fund.

5. The subject resolution states that "provided the rent for the commencement of the Extension Term is below the Director of Property's determination of fair market rent, the Director of Property shall be authorized to exercise the Extension Option without obtaining any further approval by the Police Commission, the Board of Supervisors or the Mayor."

6. Mr. Chopping advises that the proposed monthly rental rate of approximately $0.514 per square foot per month represents fair market value.

Recommendation: Approve the proposed resolution.

Attachment I

POLICE DEPARTMENT
CITY AND COUNTY OF SAN FRANCISCO
THOMAS J. CAHILL HALL OF JUSTICE
850 BRYANT STREET
SAN FRANCISCO, CALIFORNIA 94103-4603

PRENTICE E. SANDERS
CHIEF OF POLICE

April 3, 2003

Mr. Harvey Rose
Board of Supervisors
Budget Analyst
1390 Market Street, Suite 1025
San Francisco, CA 94102

Re: Police Department Proposed Lease for 2348 Jerrold Avenue

Dear Mr. Rose:

The Police Department is requesting approval from the Board of Supervisors for the lease of property at 2348 Jerrold Avenue in San Francisco. This property will replace existing leased property at Hunter's Point Naval Shipyard, property the Police Department has been directed to vacate. The property is required to hold large items, in secure storage, which are required as evidence. These items must be readily accessible to the defense, prosecution and the police. Items include, vehicles and vehicle parts from car theft operations, vehicles seized from narcotics prosecutions and other large items that would be difficult or impossible to store at the Hall of Justice.

The Police Department is currently using approximately 8000 square feet of space in Building 128 at the Hunter's Point Naval Shipyard. Upon notice to vacate, the Department contacted the Department of Real Estate to secure a replacement facility. According to Mr. Ken Chopping, the City has no facilities available to meet the Department's needs.

After careful review, the property at 2348 Jerrold Avenue was determined to be the best available property to meet the Department's needs. The proposed property allows for an additional 3000 square feet of storage and was the only property that provided the Police Department with sole access to the building. The current facility is at capacity and we need the additional space to effectively store, inventory and manage the evidence. There were no available buildings at 8000 square feet that were less expensive than the 11000 square foot building on Jerrold Street. The Jerrold Avenue property is a concrete structure with no windows and metal roll-up doors. It meets the Department's needs for a secure facility to store evidence and seized vehicles. It also allows for a moderate increase in space. The existing space is being fully utilized.

If you have additional questions or concerns, I ask that you contact me at 553-1125.

Very truly yours,

Lieutenant Albert Pardini
Commanding Officer
Planning Division

APR-03-2003 15:22

April 2, 2003

TO: Elaine Forbes
Budget Analyst Office

FROM: Ken Chopping
Real Property Officer
Real Estate Division

SUBJECT: 2348 Jerrold Avenue Lease
SFPD

For the Police Department's requirement of storage space for vehicles and misc. auto parts, I toured the present facility at Hunter's Point. The Police Department use a portion of a larger building that I estimated to be approximately 15,000 sq ft. There also were two large Fire Department vehicles in that building. I estimated the Police Department's requirement to be a minimum of approximately 7,500 sq ft and the target size to be 7,500 to 8,500 sq ft. For 24 vehicles I used 250 sq ft per vehicle including access lanes, for a total of approximately 6,000 sq ft. The other storage area was at least 1,500 to 2,000 sq ft for a total of approximately 7,500 to 8,000 sq ft.

I made a search of all available warehouse space and made an initial selection based on size and features. Then as I got more data on those, I tried to eliminate those that did not meet our requirements for vehicle access, security and price. The smaller spaces were the most expensive per sq ft, all in the range of $0.65 to $0.85 or more per sq ft. Several spaces that were available were portions of much larger buildings of wood or metal construction and lacked security. I toured the ones that seemed to best fit the requirement and found every one to be lacking in access or security or had rent that was too high. Some had no ground level access, being dock-high spaces, some had finished office space which increased the rent and some had questionable availability. Unlike office space, industrial space is not plentiful in the City today, particularly small spaces. After looking at buildings, it was the consensus of two leasing agents that the subject building at 2348 Jerrold, which was not on our tour list, was the best available building for our use so we looked at it. It was a larger than we were looking for but the rental rate per sq ft was considerably less than in other available buildings, so the total rent was no more than for the smaller spaces I had seen. It was listed for lease by the owners at $0.55 per sq ft and 3% annual increases and we negotiated a lease at $0.51 with no increases. It was apparent that no other comparable spaces were available at that fixed rental rate of $0.51 per sq ft per month, $6.16 per year and that no other buildings, even of smaller size, were available at a lower total rent. The rental rate at 2348 Jerrold was lower because this building does not have finished office space and it has restricted access for large trucks, being set back from the street, making it less desirable for many true warehouse users. For the Police Department's use that is not a problem and may be an advantage as it is not a conspicuous building.

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Item 4 – File 03-0390

Department: Mayor's Office of Community Development (MOCD)

Item: Hearing to request release of reserved funds in the amount of $41,667 to fund the South of Market Foundation/ Urban Solutions Program.

Amount: $41,667

Source of Funds: U.S. Department of Housing and Urban Development (HUD).

Description: In May of 2002, the Board of Supervisors approved a resolution (File No. 02-0615) authorizing the Mayor's Office of Community Development (MOCD) to accept and expend the FY 2002-2003 Community Development Block Grant (CDBG) of up to $33,722,231 from the U.S. Department of Housing and Urban Development (HUD) to support programs providing affordable housing, a suitable living environment, and economic opportunity for low and moderate income residents of San Francisco. Included in the CDBG grant funds was $41,667 for South of Market Foundation/ Urban Solutions, which was reserved by the Finance Committee in May of 2002 because of staff turnover in the program and a delay in launching revitalization efforts in South of Market District (SoMa), as explained in Attachment I, provided by MOCD.

As stated in Attachment II, provided by MOCD, South of Market Foundation/ Urban Solutions is a non profit economic development corporation that helps neighborhoods attract, retain and grow community-serving and job-creating businesses. The program provides technical assistance and loan packaging assistance to small businesses in the South of Market area and surrounding neighborhoods. As stated in Attachment I, South of Market Foundation/ Urban Solutions also works with the San Francisco Redevelopment Agency in developing and launching a targeted revitalization effort on Sixth Street called Six on Sixth. As explained in Attachment III, provided by

MOCD, Six on Sixth is a is a multiyear economic revitalization program that seeks to improve the commercial environment on Sixth Street through building and revitalizing small businesses. The new effort will include a combination of façade improvement grants and small business loans for both existing and new businesses to assist them in locating, expanding or renovating their existing storefronts to address issues of blight and to provide access to capital. As stated in Attachment IV provided by Mr. Albert Lerma of MOCD, the San Francisco Redevelopment Agency will provide the funds for these grants and small business loans, totaling $750,000 for FY 2002-2003. Mr. Lerma states that the Redevelopment Agency approved funding in the amount of $750,000 for the Six on Sixth Program in November of 2002. Attachment V is the Redevelopment Agency's $750,000 budget for the Six on Sixth Program for FY 2002-2003.

The Board of Supervisors approved $50,000 in CDBG funds for South of Market Foundation/ Urban Solutions but reserved $41,667 for the reasons explained in Attachment I. Attachment VI, provided by Mr. Lerma, is a budget for the South of Market Foundation/ Urban Solutions' entire $50,000 CDBG allocation. According to Mr. Lerma, the CDBG grant funds will be used for salaries and general operating costs of South of Market Foundation/ Urban Solutions, specifically for their efforts in providing technical and loan packaging assistance for small businesses, including technical assistance for programs like Six on Sixth. Only three of the five total staff positions employed at South of Market Foundation/ Urban Solutions (the Executive Director, the Program Development Manager, and the Small Business Development Manager), are shown in the budget in Attachment VI, as the salaries of the remaining two positions, the Economic Development Specialist and the Administrative Assistant, are funded by other sources. Attachment VII, provided by Mr. Lerma, is the South of Market Foundation/ Urban Solutions' annual work plan for FY 2002-2003, which includes detailed responsibilities all five of the staff positions, including the three positions noted above, that will be partially funded by the $50,000

CDBG allocation, including this requested release of the $41,667 in reserved funds.

According to Mr. Lerma, MOCD has been working closely with the San Francisco Redevelopment Agency in monitoring the efforts of South of Market Foundation/ Urban Solutions to ensure that their efforts are successful.

Recommendation: Approval of the requested release of reserved funds in the amount of $41,667 is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

MAYOR'S OFFICE OF COMMUNITY DEVELOPMENT
CITY AND COUNTY OF SAN FRANCISCO

WILLIE LEWIS BROWN, JR.
MAYOR

ROGER SANDERS
DIRECTOR

March 6, 2003

The Honorable Aaron Peskin
Chair, Finance and Audit Committee
Board of Supervisors
Room 244, City Hall
San Francisco, CA 94102

Subject: File 020615 Resolution No. 285-02
CDBG Grant Funds on Reserve / Requesting Release of Funds
South of Market Foundation / Urban Solutions $ 41,667

Dear Supervisor Peskin:

When the Finance Committee and Board of Supervisors approved the Community Development Block Grant for FY 2002-03, $ 41,667 was placed on reserve for the South of Market Foundation / Urban Solutions because of concerns from some committee members regarding recent agency staff turnover and the delay in launching revitalization efforts in SOMA and in particular on Sixth St.

Urban Solutions has responded by hiring three additional new staff members since that time with experience in community economic development and continues to provide technical assistance and loan packaging assistance to small businesses in SOMA and surrounding neighborhoods.

Urban Solutions has also been working diligently with the San Francisco Redevelopment Agency in developing and launching a targeted revitalization effort on Sixth St. called Six on Sixth St. (See attached program summary for Six on Sixth St.) The new effort will include a combination of façade improvement grants and small business loans for both existing and new businesses to assist

them in locating, expanding or renovating their existing storefronts to address issues of blight and to provide access to capital. The façade improvement effort is underway with Speed Queen Laundry on Sixth St. undergoing the first façade renovation under this new program. A Hindu vegetarian restaurant and Irish pub have also recently opened for business on Sixth St. Urban Solutions has additional projects in the pipeline and will be moving ahead in the weeks and months to come.

MOCD has been working closely with the San Francisco Redevelopment Agency in monitoring the efforts of the South of Market Foundation / Urban Solutions to insure that their efforts are a success. We believe that any concerns of this committee have been addressed by the agency in recent months.

MOCD will continue to monitor the progress of South of Market Foundation / Urban Solutions on a monthly basis to insure that they continue to implement the necessary steps to provide both agency stability and quality services to its small business clients over the balance of the program year and into the future.

We ask that the Finance Committee release the above referenced funds for this purpose.

Sincerely,

Roger Sanders
Director

Cc: John Hudson, Finance Director

Urban Solutions

A NON-PROFIT ECONOMIC DEVELOPMENT CORPORATION

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- Tax FAQ
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- Useful Links

Economic Development
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- Previous Projects

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- Zoning Districts
- Statistics

Our History

In 1992, the South of Market Foundation was formed as a grassroots response to the lack of accountability in the economic development of the area and the community's desire for representation by an independent group. The South of Market neighborhood merchants, residents and community-based organizations came together to form this economic development corporation. In 2002, we changed our name to Urban Solutions to reflect our expanding scope and updated initiatives.

Urban Solutions promotes economic development that creates stability to low-income individuals through long-term and stable employment. We analyze the ever-changing characteristics of the economy and target services that meet the capital and workforce needs of SoMa businesses. To this end, Urban Solutions integrates a number of activities such as technical assistance to small businesses, loan packaging and resource development, micro-business creation and operation.

SoMa - not just an acronym or a place - but a mood that changes with every street and alleyway you wander down.

Urban Solutions

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Our Mission

Urban Solutions is a nonprofit economic development corporation that helps neighborhoods attract, retain and grow community-serving and job-creating businesses.

We are dedicated to improving the lives of businesses owners and residents by providing direct services to businesses and job opportunities to local residents. The following objectives guide our approach to economic development.

- Stabilizing, retaining, and expanding small businesses through technical assistance and business loan programs;
- Creating job opportunities through community planning and enterprise development; and
- Enhancing neighborhood identity through community-building programs.

SoMa: not just an acronym or a place... but a mood that changes with every street and alleyway you wander down...

Urban Solutions

About Us
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- *Mission*
- *Staff Directory*
- *In the News*
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Interact
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Six on Sixth

Six on Sixth is a multiyear economic revitalization program that seeks to improve the commercial environment on Sixth Street through building and revitalizing small businesses. Working in partnership with the Redevelopment Agency, Urban Solutions seeks to lower economic barriers to growth for small businesses through real estate improvement loans and business financing. This program has been developed with the input of the South of Market Project Area Committee (SOMPAC).

By providing attractive financing to property and business owners to make new investments in their enterprises, the program will:

- Beautify the commercial environment
- Bring commercial real estate back online
- Revitalize existing businesses
- Attract new businesses to the area

Loans and forgivable loans will be available for:

- Facade Improvements
- Tenant Improvements
- Assistance for Existing Businesses
- Attracting New Businesses with a proven track record

The objective of this program is to revitalize one of the most blighted neighborhoods in San Francisco. Despite years of effort by the City and by many groups and individuals, Sixth Street remains a center of urban squalor. Illegal drugs are sold and used openly, public drinking is widespread, stolen goods are bought and sold, sanitation is limited, and public indecency is commonplace. Many families have left the neighborhood and the sidewalks and structures are dirty and in poor repair. These factors combine to form a concentrated area of urban decay that has resisted every remedy tried to date. Even the Bay Area's prolonged economic expansion, which had such a profound effect on the rest of the South of Market area, had little impact on Sixth Street. With the joint effort of Urban Solutions, the City of San Francisco, SOMPAC, private corporations and private foundations we can turn this community around.

SoMa: not just an acronym or a place... but a mood that changes with every street and alleyway you wander down.

MAYOR'S OFFICE OF COMMUNITY DEVELOPMENT
CITY AND COUNTY OF SAN FRANCISCO

WILLIE LEWIS BROWN, JR.
MAYOR

ROGER SANDERS
DIRECTOR

DATE: March 19, 2003

TO: Jema Turk, Budget Analyst

FROM: Albert Lerma, Program Director

RE: South of Market Foundation / Urban Solutions
Release of Reserve Funds

The Six on Sixth St. project being carried out by Urban Solutions is being funded by the San Francisco Redevelopment Agency with a of budget of $ 750,000 that was approved by the San Francisco Redevelopment Commission on Nov. 26, 2002.

Six on Sixth Loans and Grants - Avg. Project Costs

11/13/2002

Type of Investment	Avg Project Cost	Max Design Grant	% of Project Cost	Avg project cost excluding design cost	Minimum Owner's Equity contribution	% of Project Cost	Owner's Equity Contrib to get max matching grant	Matching Grant Limit for avg project	Total Agency Grants w/max matching & design grants	% of Project Cost	Total loan if owner contributes max matching grant amount	Total discount to borrower	Number of Projects	Total Private Equity Invested	Total Grants by SFRA	Total Loans by SFRA	Total Project Cost to SFRA
Facade Improvement	25,000	3,000	14%	22,000	3,750	15%	9,500	9,500	12,500	57%	3,000	50%	8	76,000	100,000	24,000	124,00
Tenant Improvement	120,000	5,000	4%	115,000	18,000	15%	30,000	18,000	23,000	20%	61,000	10%	2	72,000	48,000	122,000	168,00
Business	60,000	3,000	5%	57,000	9,000	15%	-	-	3,000	5%	57,000	5%	0	9,000	18,000	342,000	360,00
Total Loans and Grants													10	157,000	164,000	488,000	652,00
Operating																	48,00
Marketing																	20,00
MOCD fee																	$ 30,00
Total Cost																	$ 750,00

Six on Sixth Loans and Grants - Avg. Project Costs

	Avg Project Cost	Agency Grants	Avg Loans	Total Financing	# of Projects	Total
Facade Improvement	25,000	12,500	3,000	15,500	8	124,000
Tenant Improvement	120,000	23,000	61,000	84,000	2	168,000
Business	60,000	3,000	57,000	60,000	0	360,000
Total Loans and Grants					10	652,000
Operating						48,000
Marketing						20,000
MOCD fee						30,000
Total Costs						$750,000

Source:
San Francisco Redevelopment Agency

Schedule 2A. 2002 Multiple Program Budget Detail CDBG/ESG Funding

FY 2002

Subgrantee: South of Market Foundation

Line	Budget Item		%Adm	%Pgm	Total	2 Months	Reserve	Grant C	Total CDBG/ESG	Other Funding
	Salaries & Wages		Personnel Time			Column A	Column B	Column C	Column D	Column E
	Position Title (FTE)								Sum A+B+C	
1	Executive Director	16%FTE	20	80	100	2,040	10,200	$	12,240	$
2	Small Business Development Specialist	16%FTE	80	20	100	1,513	7,565	$	9,078	$
3	Program Development Specialist	16%FTE	50	0	50	1,250	6,250	$	7,500	$
4						$	$	$		$
5						$	$	$		$
6						$	$	$		$
7						$	$	$		$
8						$	$	$		$
9						$	$	$		$
10						$	$	$		$
11						$	$	$		$
12						$	$	$		$
13						$	$	$		$
14						$	$	$		$
15						$	$	$		$
16	**Total Salaries (Lines 1-15)**					4,803	24,015	$	28,818	$
17	**Fringe Benefits (Cannot exceed 25% of Salaries)**					928	4,640	$	5,568	$
18	**Total Salaries+Fringe Benefits (Line 16+Line 17)**					5,731	28,655	$	34,386	
	Contractual Services-Consultants		Consultant Time			Grant A	Grant B	Grant C	Total CDBG	Other Funding
19	Bookkeeper					635	3,175	$	3,810	$
20	Computer Support					42	210	$	252	$
21	Desktop Publishing					15	75	$	90	$
22						$	$	$		$
23	Audit ($300,000 in Federal Funds)					180	900	$	1,080	$
24	Total Contractual Services (Lines 19 thru 23)					872	4,360	$	5,232	$
	Operating Costs					Grant A	Grant B	Grant C	Total CDBG	Other Funding
25	Equipment Lease					113	565		678	
26	Insurance					101	505		606	
27	Space Rental					813	4,065		4,878	
28	Supplies					45	225		270	
29	Telecommunications					126	630		756	
30	Travel and Conference									
31	Utilities					215	1,075		1,290	
32	Other					317	1,587		1,904	
33	**Total Operating Costs (Line 25 thru 32)**					1,730	8,652		10,382	
34	**Total Budget (Line 18+Line24+Line33)**					8,333	41,667	$	50,000	$

source: MOCD

MAYOR'S OFFICE OF COMMUNITY DEVELOPMENT

ANNUAL WORK PLAN

Part I: Work Plan Outline

AGENCY: South of Market Foundation

PREPARED BY: Roger Gordon
(Print Name)

APPROVED BY: [signature] (Signature Required), EXECUTIVE DIRECTOR

PROGRAM NAME: Econ. Dev

PROGRAM REPORTS DUE X monthly ___ quarterly

A. List each plan outcome and its major activities:	B. Annual Output of each activity:# of program hrs. & #of clients served	C. Implementation schedule by months (ex. Jan., 1st mo.)	D. For each activity:total staff/consultant hours or % FTE funded by CDBG/ESG $	E. Staff/consult hrs. or % FTE funded by non-CDBG/ESG $
1. Outcome: Provide technical assistance to entrepreneurs on financial aspects of running a business, with priority given to businesses in the South of Market Project Area (see Task 7), then other Redevelopment Project Areas, then City-wide.	84 new clients	7 per mo.	3 Executive Director	18 Executive Director
Component: Inquiry	60	5 per mo.	8 Small Bus. Dev.	40 Small Bus. Dev. Specialist
Component: Intake assessment	72	6 per mo.	1 Program Dev. Manager	6 Program Dev. Manager
Component: Assist with Business Plan preparation	60	5 per mo.		55 Economic Dev Specialist
Component: Assist with Financial Statement preparation	30	2.5 per mo.		
Component: Marketing EZ/tax credits	4	0.4 per mo.		
Component: Credit Counseling	6	0.5 per mo.		
Component: One-on-one business counseling	84	7 per mo.		
Component: Referral to other organizations	84	7 per mo.		
Component: Conduct Site Visit	15	1.3 per mo.		
Component: Assist clients of façade/TI improvement program with application or execution.	84	7 per mo.		
2. Outcome: Provide access to capital for businesses unable to obtain capital from traditional sources with priority given to businesses in the South of Market Project Area (see Task 7), then other Redevelopment Project Areas, then City-wide.	10 loans approved (not including Six on Sixth)	2 per mo.	4 Executive Director	16 Executive Director
Component: Individual loans packaged	10	2 per mo.	2 Small. Bus. Dev. Specialis	32 Small. Bus. Dev. Specialist
Component: Loans packaged	18	3.4 per mo.		
Component: Marketing clients to lenders	48	8.4 per mo.		
Component: Loans submitted	24	4.2 per mo.		
Component: Loans approved	10	2 per mo.		
Component: Loans closed	10	2 per mo.		
Component: Job creation (public benefit)	5	1 per mo.		
Component: Job retention (public benefit)	3	0.6 per mo.		

A. List each plan outcome and its major activities:	B. Annual Output of each activity:# of program hrs. & #of clients served	C. Implementation schedule by months (ex. Jan., 1st mo.)	D. For each activity:total staff/consultant hours or % FTE funded by CDBG/ESG $	E. Staff/consult hrs. or % FTE funded by non-CDBG/ESG $
3. Outcome: Provide post-loan technical assistance for businesses to ensure sustainability of businesses with priority given to businesses in the South of Market Project Area (see Task 7), then other Redevelopment Project Areas, then City-wide.	24 clients	2 per month	3 Small Bus. Dev. Specialist	12 Small Bus. Dev. Specialist
Component: Monitor job creation activity				
Component: Conduct site visit to monitor business				
Component: General management advice and referrals				
Component: Ensure loan payments/taxes are made				
4. Outcome: Provide support to the Merchants Associations			2 Executive Director 0 Small Bus. Dev. Specialist 6 Program Dev. Manager	12 Executive Director 1 Small Bus. Dev. Specialist 20 Program Dev. Manager 30 Economic Dev Specialist
Component: Organize regular meetings	6 meetings	1 per month		
Component: Outreach to new members	24 new members	2 per month		
5. Outcome: Marketing/Outreach			1 Executive Director 2 Small Bus. Dev. Specialist 9 Program Dev. Manager	4 Executive Director 12 Small Bus. Dev. Specialist 40 Program Dev. Manager 15 Economic Dev Specialist
Component: Brochures distributed/direct mail	2,400 distributed	200 per month		
Component: Meetings with referrers	24 meetings	2 per month		
6. Outcome: Provide Technical Assistance related to the Basement and Sidewalk Enhancement Program	24 property owners	Work completed by December 2002	1 Executive Director 0 Program Dev. Manager	6 Executive Director 38 Program Dev. Manager
Component: Certifications	7			
Component: Abandonments	14			
Component: Reinforcements	3			
7. Outcome: Implement the economic development plan for the Sixth Street Corridor	12 applications submitted 10 approved		3 Executive Director 6 Small Bus. Dev. Specialist 2 Program Dev. Manager	15 Executive Director 16 Small Bus. Dev. Specialist 6 Program Dev. Manager 30 Economic Dev Specialist
Component: Facade improvement grant/loan applications submitted	5	0.5 per mo.		
Component: Tenant improvement grant/loan applications submitted	1	0.1 per mo.		
Component: Existing business assistance grant/loan applications subn	2	0.2 per mo.		
Component: New business grant/loan applications submitted	4	0.4 per mo.		
Component: Facade improvement grant/loan requests approved	5	0.5 per mo.		
Component: Tenant improvement grant/loan requests approved	1	0.1 per mo.		
Component: Existing business assistance grant/loan requests approve	2	0.2 per mo.		
Component: New business grant/loan requests approved	2	0.2 per mo.		

Source: MOCD

City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGo......

Clerk: Linda Laws

Wednesday, April 16, 2003 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

MEETING CONVENED

The meeting convened at 12:44 p.m.

REGULAR AGENDA

030003 **[Sale of 1345 Turk/1140 Fillmore to Redevelopment Agency]**

Supervisor Gonzalez

Resolution approving the sale of real property located at 1345 Turk and 1140 Fillmore Streets to the San Francisco Redevelopment Agency for $900,000; approving the interdepartmental transfer of jurisdiction over 1345 Turk from the Municipal Transportation Agency to the City's Arts Commission; authorizing the Director of Property to enter into an Agreement for the Sale of Real Property with the San Francisco Redevelopment Agency for the sale of such real property for the development of affordable housing and other public beneficial uses.

(Public Benefit Recipient.)

1/6/03, RECEIVED AND ASSIGNED to Finance Committee.

1/10/03, SUBSTITUTED. City Attorney submitted a substitute resolution bearing new title.

1/10/03, ASSIGNED to Finance Committee.

1/29/03, CONTINUED. Marc McDonald, Director of Property, Real Estate Division, Administrative Services Department; Harvey Rose, Budget Analyst; Albert Luis, Senior Development Specialist, Redevelopment Agency.
Continued to 2/5/03.

2/5/03, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Larry Ritter, Real Estate Division; Charles Chase, Executive Director, San Francisco Architectural Heritage; Female Speaker; Gigi Platt, Todd Clator, Director of Real Estate, Primus Infrastructure Co.

2/6/03, TRANSFERRED to Finance and Audits Committee. New committee structure 2/17/03.

Heard in Committee. Speakers: Heidi Gewertz, SF Redevelopment Agency; Harvey Rose, Budget Analyst; Mary Helen Rogers, AGAPE.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

022033 **[Grant Applications]**

Supervisors Sandoval, Gonzalez, Peskin

Ordinance amending San Francisco Administrative Code Section 10.170 to provide that all grant applications submitted by the City requesting funding for fifty thousand dollars or more shall be subject to approval by the Board of Supervisors by resolution, except for grant funds approved by the Mayor and the Board of Supervisors in the annual budget.

2/4/03 in Board: Supervisor Sandoval submitted a substitute ordinance bearing new title.

12/16/02, ASSIGNED UNDER 30 DAY RULE to Rules and Audits Committee, expires on 1/15/2003.

2/4/03, SUBSTITUTED. Supervisor Sandoval submitted a substitute ordinance bearing new title.

2/4/03, RECEIVED AND ASSIGNED to Rules and Audits Committee.

2/7/03, TRANSFERRED to Rules Committee. New committee structure 2/17/03.

3/31/03, TRANSFERRED to Finance and Audits Committee.

Heard in Committee. Speakers: Ed Harrington, Controller; Harvey Rose, Budget Analyst; Assistant Chief Alex Fagan and Sergeant Collins, SFPD; Joe Speaks and Jerry Levine, Municipal Railway; Susan Hildreth, SF Public Library; Firefighter Mei-Beck Chung, SFFD; Christine Ragan, SFFD; Rosario Navarrette, Department on the Status of Women; Gary Hoy, Recreation and Park Department; Ted Lakey, Deputy City Attorney; Christina Olson, Department of Public Works; Anne Kronenberg, Department of Public Health; Nick Carr, Department of Parking and Traffic; Debbie Lerman, SF Human Services Network; Brenda Abrams, Resource Development Associates.

4/16/03 Amended on page 1 as follows: On line 4 after "applications" adding "(except for grants originating from the Transportation Authority)"; after "for" deleting "fifty" and adding "one hundred"; on line 16 deleting "fifty" and adding "one hundred"; after "program" adding ", except for grants originating from the Transportation Authority,"; on line 18 after "for" deleting "fifty" and adding "one hundred"; on line 23 deleting "and the Mayor".

Amended on page 2 as follows: On line 7 after "and" adding "may be"; on line 12 after "head" deleting "and the Mayor"; on line 19 after "and" adding "may be".

Supervisor McGoldrick requested to be added as a co-sponsor.

AMENDED.

Ordinance amending San Francisco Administrative Code Section 10.170 to provide that all grant applications (except for grants originating from the Transportation Authority) submitted by the City requesting funding for one hundred thousand dollars or more shall be subject to approval by the Board of Supervisors by resolution, except for grant funds approved by the Mayor and the Board of Supervisors in the annual budget.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030404 **[Modification to the Professional Service Agreement for North & South International Parking Garages, Concourse H/Airport BART Station and Rental Car Facility]**

Resolution approving Modification No. 3, the Close-out Modification, of Professional Services Agreement for Contract No. 5600AE - North & South Int'l Parking Garages, Concourse H/Airport BART Station and Rental Car Facility with ED2 Int'l/MBT Architecture Joint Venture Architects in the amount of $1,236,926, for a new total contract amount of $23,469,626. (Airport Commission)

(Fiscal impact; No Public Benefit Recipient.)

3/14/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Ivar Satero, Airport Commission; Harvey Rose, Budget Analyst.

4/16/03 Amend the title on page 1 line 4, after "Resolution" add "retroactively". At page 2 line 5, after "hereby" add "retroactively".

AMENDED.

Resolution retroactively approving Modification No. 3, the Close-out Modification, of Professional Services Agreement for Contract No. 5600AE - North & South Int'l Parking Garages, Concourse H/Airport BART Station and Rental Car Facility with ED2 Int'l/MBT Architecture Joint Venture Architects in the amount of $1,236,926, for a new total contract amount of $23,469,626. (Airport Commission)

(Fiscal impact; No Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 3:46 p.m

CITY AND COUNTY OF SAN FRA

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642

FAX (415) 252-0461

April 10, 2003

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: April 16, 2003 Finance and Audits Committee Meeting

Item 1 - File 03-0003

Note: This item was continued by the Finance Committee at its meeting of February 5, 2003 pending an agreement between the City, the San Francisco Redevelopment Agency and the San Francisco Architectural Heritage for the Redevelopment Agency to protect, stabilize and rehabilitate the MUNI Substation, which is a City-designated landmark. This agreement is now reflected in Section 7.3 of an amended Agreement for Sale of Real Estate between the City and County, on behalf of the Arts Commission, and the Redevelopment Agency. Section 7.3 has no fiscal impact to the City. Section 7.3 requires the Redevelopment Agency to develop the MUNI Substation in accordance with the applicable preservation standards pursuant to Article 10 of the City's Planning Code.

Departments: Department of Administrative Services, Real Estate Division
Municipal Transportation Agency
Arts Commission

Item: Resolution approving the sale by the City and County on behalf of the Arts Commission of real property located at 1345 Turk and 1140 Fillmore Streets to the San Francisco Redevelopment Agency for $900,000; approving the interdepartmental transfer of jurisdiction over 1345 Turk from the Municipal Transportation Agency (MUNI) to the City's Arts Commission; authorizing the Director of Property to enter into an Agreement, for the Sale of Real Estate currently under the jurisdiction of the MUNI and the Arts Commission. The Agreement for the Sale of the Real Estate is between the City and County, on behalf of

the Arts Commission and the San Francisco Redevelopment Agency for the sale to the Redevelopment Agency of such real property for the development of affordable housing and other public beneficial uses.

Property: 1345 Turk Street (the MUNI parcel)
1140 Fillmore Street (the Arts Commission parcel)

Buyer: Redevelopment Agency

Seller: Arts Commission

Sale Price: $900,000

Description: The proposed resolution authorizes (1) the interdepartmental transfer of 1345 Turk Street from the MTA to the City's Arts Commission, (2) the sale of 1345 Turk Street and 1140 Fillmore Street by the City on behalf of the Arts Commission to the Redevelopment Agency for $900,000, (3) the allocation of the net sale proceeds of $900,000, including $633,902 to the MUNI and $241,098 to the Arts Commission, after deducting fees of $20,000 for the City Attorney's Office and $5,000 for the Real Estate Division for the cost of completing the transaction, and (4) the execution by the Director of Property on behalf of the City of the Agreement for the Sale of Real Estate (the Agreement) by the City on behalf of the Arts Commission to the Redevelopment Agency.

The proposed resolution also would adopt the Planning Department's May 3, 2002 determination that the sale of the subject properties by the City on behalf of the Arts Commission to the Redevelopment Agency would not require Environmental Review and is consistent with the eight Priority Policies of the Planning Code.

Comments: 1. As shown in Attachment I to this report, 1345 Turk Street and 1140 Fillmore Street are adjacent properties. The property at 1345 Turk Street (the MUNI parcel) is currently under the jurisdiction of the City's Municipal Transportation Agency (MUNI), formerly the City's Public Transportation Commission. The Public Transportation Commission adopted Resolution No. 99-090 on September 7, 1999 to authorize the transfer of 1345 Turk Street to

the Arts Commission for the primary use and development of affordable housing, art and community uses, and other publicly beneficial uses. As noted above, the proposed resolution would execute this transfer. The MUNI parcel consists of approximately 23,926 square feet, with a vacant two-story building formerly used as office space by the MUNI. According to Mr. Larry Ritter of the Real Estate Division, this building was damaged in a fire approximately four years ago and has since been vacant. The property at 1140 Fillmore Street (the Arts Commission parcel) consists of approximately 9,101 square feet, with a vacant unreinforced masonry building formerly used as a MUNI power substation. On April 23, 1979 this building was designated City Landmark No. 105.

According to a Seismic Evaluation Report, prepared by a consultant for the Redevelopment Agency in September of 2001, the estimated cost of retrofitting the MUNI substation is $1,300,000. As noted above, the unreinforced masonry building is a City Landmark and cannot be demolished. Therefore, the structure would first need to be retrofitted for seismic safety in order for the structure to be reused.

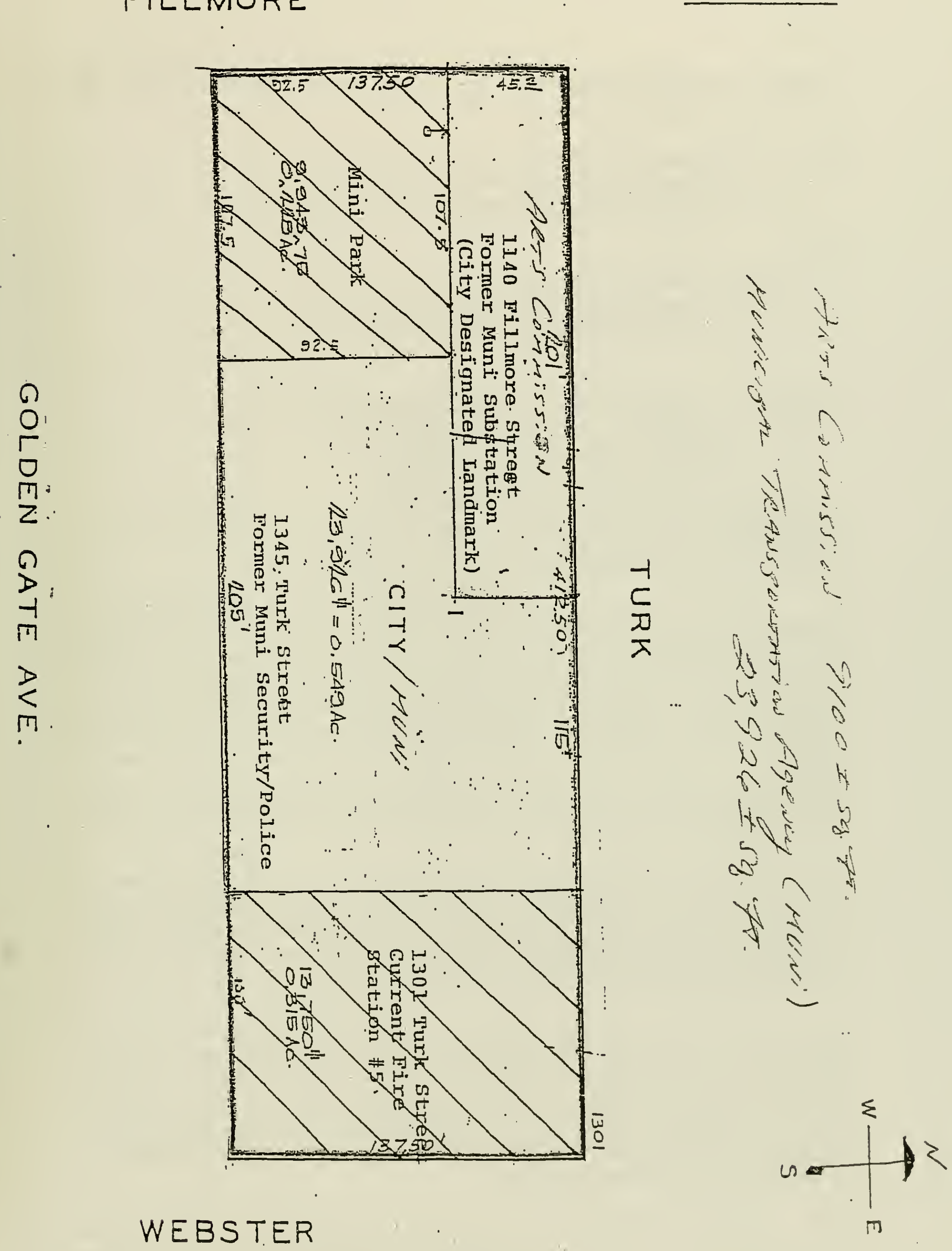
2. According to Mr. Albert Luis of the Redevelopment Agency and as described in more detail in Attachment II to this report, the Redevelopment Agency would issue two Requests For Qualifications (RFQs) for the two subject properties: 1) to develop affordable rental housing to be constructed on the MUNI parcel and 2) to rehabilitate and reuse the City Landmark formerly used as the MUNI substation, which has been designated as a City Landmark, for commercial/retail uses. Mr. Luis notes that the issuance of the RFQs would require the approval of the Arts Commission. Additionally, according to Mr. Donnell Choy of the City Attorney's Office, the approval of the Board of Supervisors would be required for the disposition or long-term lease of the subject properties for development because the Redevelopment Agency would purchase the subject properties from the City on behalf of the Arts Commission using Tax Increment Bond proceeds, secured by Tax Increment funds.

3. According to Mr. Luis, the Redevelopment plans to develop affordable housing on the MUNI parcel and an adaptive reuse project with retail and commercial uses on the Arts Commission parcel. Mr. Luis notes that developing housing on the MUNI parcel is separate from the retrofit of the MUNI substation on the Arts Commission parcel and therefore these projects may be conducted at separate times.

4. The proposed resolution states that the $900,000 in sale proceeds would be allocated between the MUNI and the Arts Commission, after deducting fees to the City Attorney's Office and the Real Estate Division for the cost of completing the transaction, in proportion to the gross square feet of land for each parcel that was under their prospective jurisdictions prior to the adoption of this subject resolution. The proceeds of the proposed sale would be distributed as follows: (a) MUNI - $633,902, (b) Arts Commission / General Fund - $241,098, (c) the City Attorney - $20,000, (d) the Real Estate Division - $5,000. According to Mr. Ben Rosenfield of the Mayor's Budget Office, the FY 2002-2003 Budget, as previously approved by the Board of Supervisors, included the $900,000 in proceeds from the proposed parcel sales.

5. At the request of the Finance Committee, the Real Estate Division provided a written appraisal of the subject property, representing that the fair market value of the property is $900,000.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.


FILLMORE
TURK
GOLDEN GATE AVE.
WEBSTER
1140 Fillmore Street
Former Muni Substation
(City Designated Landmark)
Mini Park
CITY / MUNI
1345 Turk Street
Former Muni Security/Police
1301 Turk Street
Current Fire
Station #5
137.50
92.5
45.31
107.5
412.50
115
105'
1301
W
E
S
N

DATE: January 16, 2003
108-01003-136

TO: Elaine Forbes
Budget Analyst
City and County of San Francisco

FROM: Albert J. Luis
Senior Development Specialist
Redevelopment Agency of the
City and County of San Francisco ("Agency")

SUBJECT: Acquisition of the Muni Substation Site (the "Property")
@ Fillmore and Turk Streets by the Agency
Assessor's Block 0756, Lot1 (portion)
1345 Turk Street / 1140 Fillmore Street

The Agency's detailed plans and activities after its acquisition of the Property, including the RFP process, and the timeline(s) involved, are outlined as follows:

A. After Agency acquisition of the Property, which will occur approximately two to three weeks after the Board of Supervisors' ("Board") approval of the sale / purchase transaction, the Agency will immediately enclose the Property with an 8-foot high, chain-link fence, together with a lockable gate which will be located on Turk Street. The existing windows of the brick substation building (which are easily accessible to trespassers) will be secured with strong metal screens or grates. The other windows and openings will be secured with less durable materials to keep pigeons and other birds out. The Property will then be cleared of all unsightly trash, weeds, and rubbish. Also, all trash within the interior of the substation building will be swept clean and bird droppings will be removed.

B. Thereafter, access to the Property will be available to Agency consultants and contractors to perform: (1) an ALTA survey; (2) work necessary for the filing of a parcel map (set corners / monuments, etc.); (3) studies on the proposed structural seismic retrofit of the substation building; and (4) a Phase Two soils/geotechnical testing if warranted by the outcome of the Phase One report that is currently underway.

C. The two-story wood frame building on the Muni parcel will be demolished in its entirety, since over half of it was destroyed by fire and is of no feasible use in its present condition. This demolition process will be advertised for bids, and bids received will be reviewed before the awarding of a contract in accordance with the Agency's procurement policies. The substation building will be retrofitted pursuant to the recommendation(s) of the studies mentioned above. This work will also be advertised in a manner similar to the demolition process and Agency practice.

D. A Request for Qualifications and/or Request for Proposals (the "RFQ/P") process for development of the Property will begin immediately after the Agency takes title to the

Property. The Agency intends to prepare and issue two separate RFQ/P documents for solicitation of proposals before awarding of exclusive negotiations with a qualified developer.

One RFQ/P will be issued for the Muni parcel, which will solicit a developer for affordable rental housing under the Agency's affordable housing program. With respect to the affordable housing program proposed for this parcel, the project would likely include family rental housing that would be affordable to households up to 50% of median income.

The other RFQ/P that will be issued will be for the adaptive reuse of the substation parcel. According to the Western Addition Area A-2 Redevelopment Plan, the permitted land use designation for this parcel is "Community Commercial Shopping". This land use designation includes cultural institutions. A complete list of permitted uses is shown in the Redevelopment Plan itself.

During the RFQ/P process, continued community review and advisory input will be accomplished through a series of community meetings. In addition, before Redevelopment Commission approval of the issuance of either the RFQ/P, draft documents will be sent to the S.F. Arts Commission (pursuant to the terms and provisions in the sales agreement between the City and the Agency) for its review and comment. After approval by the Redevelopment Commission, the RFQ/P will then be advertised and notices will be sent to prospective developers that are on the Agency's mailing lists. The ensuing process and estimated time to accomplish these activities will range from three to six months (±) before selection of any developer(s).

The RFQ/Ps may be issued on a parallel course, but presentations to the Redevelopment Commission for approval, issuance of the RFQ/P to the public, and the selection of a developer for any exclusive negotiations could occur at different times. The total timeline for completion of the above due diligence activities before construction can begin on the Property is estimated to be one to two years after acquisition of the Property by the Agency.

In response to your second question, the source of the purchase price for the acquisition of this Property is from proceeds from tax-exempt bonds, secured by tax-increment funds. Therefore, pursuant to Section 33433, the Agency will be required to obtain the Board's approval for the disposition or long-term lease of the Property. The Agency intends to hold fee title to the Property and then ground lease the airspace for the construction of both the housing component and the adaptive reuse of the substation. As required by the Board, any ground lease agreements will require Board approval, after the initial disposition approval, consistent with the scope of the Board's review pursuant to Section 33433, in the event of the sale of the improvements to an entity not affiliated with the entity involved in the initial disposition.

Should you have any questions or comments, please advise.

c: Marcia Rosen, Joanne Sakai

Item 2 - File 02-2033

Item: Ordinance amending San Francisco Administrative Code Section 10.170 to provide that all grant applications submitted by City departments which request funding for $50,000 or more shall be subject to approval by the Board of Supervisors by resolution, except for those grant funds approved by the Mayor and the Board of Supervisors in the City's annual budget.

Description: The proposed ordinance would amend the Administrative Code to require that departments applying for a grant in the amount of $50,000 or more obtain Board of Supervisors approval by resolution prior to applying for the grant. Presently, departments may apply for grants without obtaining approval of the Board of Supervisors.

The proposed ordinance states that a resolution, requesting approval of a grant application would be placed on the For Adoption Without Committee Reference portion of the Agenda for the next available meeting of the Board of Supervisors. Under the proposed ordinance, any member of the Board of Supervisors, or the department applying for the grant, could have the resolution requesting grant application approval referred to the applicable committee of the Board of Supervisors for consideration prior to the full Board of Supervisors voting on the grant application resolution.

The proposed ordinance also states that if a member of the Board of Supervisors requests that a grant application resolution be referred to a committee of the Board of Supervisors, a Budget Analyst's report would be required to be submitted to the applicable committee.

The proposed ordinance also provides that departments may apply for a grant of $50,000 or more without first obtaining Board of Supervisors approval, if the grant application must be submitted to the grantor to meet deadline dates. In such instances, approval for the grant application must be subsequently obtained from the Board of Supervisors on a retroactive basis.

Lastly, under the proposed ordinance, if the grant provides recurring funding to departments and if the grant is approved by the Mayor and the Board of Supervisors in the City's annual budget, then Board of Supervisors approval for the grant application, by separate resolution, would not be required.

Comment: According to Mr. John Kennedy of the City Attorney's Office, prior to August of 1997, the Administrative Code included a requirement that grant applications submitted by City departments were subject to approval of the Board of Supervisors by resolution. Mr. Kennedy states that in August of 1997, the Board of Supervisors amended the Administrative Code to delete the requirement that grant applications must be approved by the Board of Supervisors. Currently, the acceptance and expenditure of grant funds requires approval of the Board of Supervisors.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 3 - File 03-0404

Department: Airport

Item: Resolution approving Modification No. 3, the Close-out Modification, of Professional Services Agreement for Contract 5600.AE – North & South Int'l Parking Garages, Concourse H/Airport BART Station, and Rental Car Facility, with ED2 International/MBT Architecture Joint Venture Architects, in the amount of $1,236,926, for a final total contract amount of $23,469,626.

Amount: $1,236,926

Source of Funds: 2002 Airport Revenue Bond Issue 9A/13A
2000 Airport Revenue Bond Issue 24A/25

Description: On August 22, 1995 the Airport Commission awarded a Professional Services Contract to a joint venture firm, consisting of ED2 International and MBT Architecture[1], in the amount of $15,210,000, for architectural and engineering design services for the Airport's Rental Car Garage/Ground Transportation Center. According to Mr. Satero, the Rental Car Garage/Ground Transportation Center was originally to have been one facility consisting of two eight-level concrete towers and an interconnecting two-level basement, to be located adjacent to the entrance roadways to the Airport, to house the Rental Car Facility, Ground Transportation operations, and public parking for the new International Terminal. As explained on page 2 of Attachment I, the Airport instead directed the Joint Venture to provide architectural and engineering design services for the following three separate facilities, after the Airport determined that an alternative for accommodating BART to SFO through a direct connection at the International Terminal was preferred:

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[1] According to Mr. Ivar Satero of the Airport, in addition to the two joint venture partners, ED2 International and MBT Architecture, the original contract included nine sub-consultants: Hood-Miller Associates, Kendall Young Associates, Tai Associates, Degenkolb Engineers, Forell/Elsesser Engineers, Takahashi Consulting Engineers, Flack + Kurtz Consulting Engineers, Walker Parking Consultants and Adamson Associates. Mr. Satero reports that under Modification No. 1, the following sub-consultants were added to the contract: Charles Salter, HMH, Blunk Demattei Associates, FW Associates, Rolf Jensen, Hesselberg, Keesee and Associates.

(1) North and South International Parking Garages, located between the Outbound Terminal Roadway and North Link Road, and between the Inbound Terminal Roadway and South Link Road, respectively, consisting of two new nine-level parking garages connected by a bridge, to be used as parking for the International Terminal through two pedestrian walkways. The North International Terminal Garage will accommodate 1,350 vehicles and the South International Terminal Garage will accommodate 1,650 vehicles for a total of 3,000 vehicles, according to Mr. Ivar Satero of the Airport.

(2) Rental Car Facility on Lot D, located at North McDonnell Road and West Area Drive, consisting of five levels, of which the first through fourth levels would accommodate 5,000 rental vehicles for customer return and pickup, and the fifth level would be used as "staging" for storing vehicles before they are rented. Mr. Satero reports that the facility would include Rental Car Agency administrative offices, customer lobbies, and support facilities.

(3) Concourse H/Airport BART Station, located adjacent to the North International Parking Garage, consisting of a pedestrian walkway at Level 3, the Airport BART Station at Level 5, an AirTrain station at Level 7, and a pedestrian bridge at Level 8. According to Mr. Satero, the level designations for Concourse H corresponds with those of the North International Parking Garage due to the interconnectivity.

Attachment I, a memorandum provided by Mr. Satero, contains a description of the Scope of Services to be provided by the Joint Venture.

In order to provide for additional architectural and engineering design services, on August 6, 1996, the Airport Commission approved Contract Modification No. 1, increasing the original contract amount by $5,297,000 or 34.8 percent, to $20,507,000. Pages 8 and 9 of Attachment I contain the Airport's reconfigured budget for the work under the original contract amount of $15,210,000 plus the Modification No. 1 amount of $5,297,000, for a total of $20,507,000 for the North and

South International Parking Garages, a Rental Car Center and Concourse H/Airport Bart Station. This work was completed by December of 2000.

On May 16, 2000, the Airport Commission approved Contract Modification No. 2, increasing the $20,507,000, modified contract amount by $1,725,700 or 8.4 percent, to $22,232,700, to incorporate various changes required for AirTrain, BART and the North and South International Terminal Parking Garages. A budget for contract Modification No. 2 of $1,725,700 increasing the contract amount to $22,232,700 is shown on page 12 of Attachment I. Mr. Satero reports that the work under Modification No. 2 was completed by August of 2001.

The proposed resolution would approve Contract Modification No. 3 to the ED2 International/MBT Architecture Joint Venture Agreement with the Airport, increasing the contract amount by $1,236,926, or 5.6 percent, from $22,232,700 to $23,469,626, for design changes in the Concourse H/Airport BART Station facility and to provide for extended services in support of the North and South International Parking Garages, Concourse H/Airport BART Station and Rental Car Facility, as described on Page 4 of Attachment I. Modification No. 3 was approved by the Airport Commission on January 30, 2003.

According to Mr. Satero, all work under Modification No. 3 was completed by April 30, 2002. Mr. Satero advises that the final total modified contract expenditures of $23,469,626, including the subject proposed Modification No. 3 of $1,236,926, have been previously incurred (see Comment No. 4). Mr. Satero states that the Airport anticipates final closeout of the contract by June 30, 2003 pending receipt of final "as built" drawings to reflect changes to the design during construction of the facilities.

Budget: Pages 5 through 7 of Attachment 1 and page 1 of Attachment II, provided by Mr. Satero, contain budget details, including hours and hourly rates and funding sources for the proposed subject Contract Modification No. 3 totaling $1,236,926.

Attachment III, provided by Mr. Satero, contains a summary of the reasons for the three contract modifications. A summary budget, of the total contract costs, is as follows:

Contract Modifications	Amount
Original contract	$15,210,000
Contract Modifications Nos. 1 & 2	7,022,700
Proposed Contract Mod. No. 3	1,236,926
TOTAL:	**$23,469,626**

Comments:

1. According to Mr. Satero, the original $15,210,000 contract was awarded to ED2 International/MBT Architecture following a Request for Qualifications process, as described on Page 2 of Attachment I.

2. Under Charter Section 9.118(b), all contracts which are in excess of $10,000,000 or which have a term of ten years or more, except for construction contracts, are subject to Board of Supervisors approval. As previously noted, the original contract with ED2 International/MBT Architecture Joint Venture totaled $15,210,000, exceeding the $10,000,000 threshold. However, the original contract and subsequent Contract Modifications Nos. 1 and 2 were not submitted to the Board of Supervisors for approval. On May 31, 2002, the City Attorney issued Opinion No. 2002-03 pertaining to the application of Charter Section 9.118(b) stating that:

> The City Attorney's Office has received questions in the past concerning the application of Charter section 9.11(b) to construction-related professional services contracts. Although we have not previously issued formal advice on these questions and they have arisen infrequently, deputies have given varying advice to departments concerning this provision.
>
> While the language of the relevant Charter provisions is ambiguous, we conclude that a court is likely to hold that (1) construction-related professional services

> contracts, such as contracts for architectural, engineering and construction management services do not fall within the exception for construction contracts from the requirement for Board approval of contracts for $10 million or more in Charter section 9.118(b); (2) Board approval is required for contract modifications where a modification causes the cumulative amount of a contract initially not subject to Board approval to exceed $10 million, or causes the term of a contract to exceed 10 years; and (3) contracts subject to Board approval under this opinion, but which were entered into without Board approval, remain binding upon the City, although any future modification to such contracts will require Board approval.

According to Ms. Gretchen Nicholson of the City Attorney's Office, the City Attorney has concluded that the proposed subject Contract Modification No. 3 is subject to Board of Supervisors approval.

3. According to Mr. Satero, the total project costs were approximately $320,000,000, including (a) construction costs of approximately $272,000,000, (b) architectural and engineering design costs of $23,469,626 and (c) other related costs of approximately $24,500,000 for the North and South International Parking Garages, the Concourse H/Airport BART Station and the Rental Car Facility. The $23,469,626 cost of the contract between the Airport and ED2 International/MBT Architecture Joint Venture, including proposed Modification No. 3, to provide additional architectural and engineering design services for the three Airport facilities, represents approximately 8.6 percent of the Airport's construction costs of approximately $272,000,000. According to Mr. Satero, while the Airport budgets 7.5 percent for architectural and engineering design services, the Airport adjusts this percentage to provide for project-specific requirements which vary based on such factors including a project's technical complexity, interface requirements with adjacent projects, Airport operations coordination requirements, and involvement of other agencies.

4. As previously noted, work for the requested Modification No. 3 has already been completed and all costs have been incurred, according to Mr. Satero. Pages 4 and 5 of Attachment I explains why the Airport did not

obtain Board of Supervisors approval prior to incurring the costs for this requested $1,236,926 Modification No. 3.

As stated pages 4 and 5 of Attachment I:

> The Airport did not seek Board of Supervisors approval prior to beginning these services since, at the time the services began and throughout the performance period, the advice from the Airport Legal counsel held that "construction-related" professional services fall under the same exemption as construction services for contracts in excess of $10M. On May 31, 2002, the City Attorney issued Opinion No. 2002-03 which held that these services do not fall under the exemption and are therefore subject to Board of Supervisors approval.

Mr. Satero has reported that the expenditures for the proposed Contract Modification No. 3 were incurred between December 31, 1998 and April 30, 2002, prior to the City Attorney's opinion dated May 31, 2002.

5. Because this work has already been completed and the costs have previously been incurred, prior to obtaining Board of Supervisors approval of the subject requested Contract Modification No. 3, the Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors, as stated in Comment No. 5, above.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

MEMORANDUM

TO: Budget Analysts' Office

FROM: Ivar Satero, Administrator
Bureau of Design & Construction

DATE: April 1, 2003

PROJECT: File 03-0404
Modification to Airport Contract 5600.AE - Professional Services Agreement with ED2 International/MBT Architecture Joint Venture

SUBJECT: Original Contract and Modifications Scope of Services, Funding and Budget

This memo is provided to clarify the scope of services provided, identify the changes to the original contract necessitating the various modifications and to clarify the changes to the funding and budget requirements under the original contract and modifications with ED2 International/MBT Architecture Joint Venture Architects ("ED2/MBT"). Also, given the substantial programming changes to the project, this memo will provide a description of the project, as originally envisioned, and the final configuration. Airport Contract 5600.AE. Currently, the contract value is $22,232,700. The consultant has been paid-to-date $22,088,447.

Scope of Services

The Professional Services Agreement ("Agreement") with ED2/MBT requires the consultant to provide complete architectural and engineering design services for a complete and fully functional facility, within established construction budgets meeting Airport quality standards, as developed and agreed upon by the Airport, tenants, outside agencies, interfacing projects and consultant. This includes the requirements for: obtaining CCSF Civic Design Review approval prior to the completion of the design; obtaining Airport Design Review Committee approval for the proposed design; providing required building infrastructure to support all Mechanical, Electrical, Plumbing, Security & Special Systems for a fully-functional facility with connections to Airport systems; providing all civil and structural elements required for a fully-functional facility meeting the requirements of the various tenants, agencies and Airport; providing construction administration services during the construction phase; providing punchlist and project close-out support. See "Original Budget and Modification No. 1" document attached for a description of Project Phases.

RFQ Process

The ED2 International/MBT Architecture Joint Venture Architects joint venture was selected as the A/E consultant for this project in 1993 following an RFQ/RFP process utilized for the selection of all the A/E consultants who participated in the Airport's $2.4 Billion Master Plan Expansion Program. In their RFQ submittal, the firms were asked to identify in which projects they were interested in participating based on previous experience and firm expertise. The Airport contacted numerous references for each firm and developed a shortlist for the major projects. A design competition was held based on the proposals submitted in response to the RFP. A panel reviewed the proposals and assigned projects based on the designs. The successful firms were then requested to develop joint ventures with other successful firms and propose a design team with subconsultants. The selection of the various teams for the Master Plan projects were submitted for approval by the Airport Commission. The Airport then negotiated scope and fees and the contracts were approved for award by the Airport Commission in 1994-1995.

Summary of Original Project Envisioned and Final Configuration

The Airport contracted with ED2/MBT in August 1995 to provide architectural and engineering design services for a new Rental Car Garage/Ground Transportation Center (RCG/GTC), as part of the Airport's $2.4B Master Plan Expansion Program. The RCG/GTC were programmed as two eight (8) level cast-in-place concrete towers with an interconnecting two-level basement. The facilities would accommodate rental car operations, public parking for the new International Terminal and ground transportation operations for pick-up and drop-off of door-to-door, hotel and local/regional shuttles.

In early 1996, after expending a significant effort on the programming of the RCG/GTC facility, it was determined that the preferred alternative for accommodating BART at SFO (see BART San Francisco Extension Project below) was through a direct connection to the new International Terminal. Following the award of the contract, ED2/MBT began providing the scope of services required by the original contract for the RCG/GTC. In October 1995, the Airport directed ED2/MBT to discontinue their work on the Schematic Design Phase services for the RCG/GTC. For work completed from contract award to the issuance of the stop work order, the Airport paid ED2/MBT approximately $704,000, of the approved contract value of $15,210,000 The Airport determined that the proposed site of the RCG/GTC could not accommodate these facilities and the Airport BART station. In August 1996, the Airport Commission approved Modification No. 1 (see explanation of Original Contract and Modification No. 1 below) to the contract with ED2/MBT for reprogramming of the facilities and for full engineering and architectural services for the three project elements, as follows:

Contract 5650 – New Rental Car Facility on Lot D
Contract 5600 – New North and South International Parking Garages
Contract 5670 – New Concourse H/Airport BART Station

In May 2000, the Airport Commission approved Modification No. 2 (see explanation of

Modification No. 2 below) to the contract for administrative changes, to extend the term of the agreement and to increase the contract amount. The contract amount was increased to accommodate changes to the various facilities required by the Airport, BART and AirTrain.

In January 2003, the Airport Commission approved Modification No. 3 (see explanation of Modification No. 3 below) to the contract to extend the term of the agreement and to increase the contract amount. The contract amount is proposed to be increased to accommodate changes to the Concourse H facility and to provide for extended construction administration services due to the construction delays in completing the various facilities.

Changes under Modification No. 1 were not initially included in the original contract in August of 1995 because, at that time, there was not clear direction for accommodating BART at SFO. In fact, at the time it was anticipated that BART would be brought into SFO via a tunnel and underground connection to the new International Terminal. The site constraints, including the adjacent new International Terminal, Boarding Area "G" apron area and inbound/outbound roadways, prohibited the Airport from accommodating all project elements at this site. In addition, changes under Modification No. 2 and Modification No. 3 were not included in the original contract because these modifications provided additional funding for design changes required throughout the course of construction. The changes were initiated by: 1) BART to further refine their facility requirements; 2) the Airport to accommodate the AirTrain system supplier; 3) the SFFD Fire Marshal's office; 3) variations in site conditions from the original contract drawings; 4) unforeseen conditions encountered during construction; 5) facility enhancements requested by tenants; 6) revisions to construction contract packaging which required additional design support; and, 7) extended duration of construction of the facilities requiring extended design support.

Original Contract and Modification No. 1

The original contract scope of services was essentially rewritten in Modification No. 1 . Modification No. 1 provided for reprogramming of the various facilities, which changed from two structures and an interconnecting tunnel providing for a Rental Car Garage and Ground Transportation Center to two International Parking Garages, a Rental Car Center and Concourse H/Airport BART Station to accommodate the BART to SFO Expansion Program.

Given the substantial re-write of the original contract prior to even completing the Programming Phase, the scope of services contained in Appendix A of the original contract was rewritten and included in its entirety in Appendix A-1 of Modification No. 1. Similarly, the budget was substantially revised as per Appendix E-1 of Modification No. 1 to reflect the new contract value of $20,507,000 (see Appendix E-1 for revised budget), which includes the $15,210,000 in the original contract.

The requirement in Modification No. 1 for providing design services in support of BART to SFO substantially changed the requirements for this contract. With this modification, BART became an integral part of the design effort, providing design support to ED2/MBT for the BART elements of Concourse H and an outside agency with whom ED2/MBT must

coordinate. However, BART does not have any contractual relationship with ED2/MBT nor any authority over the management of the 5600.AE contract.

Modification No. 2

The Airport issued Modification No. 2 to the 5600.AE contract to: 1) extend the contract duration; 2) increase the contract value by $1,725,700 for a new contract value of $22,232,700; and, 3) to provide for administrative changes. (See Modification No. 2 budget and scope of services, per Attachment to this memo.)

The duration of the contract was extended due to the delay in bidding the 5670.A Concourse H/Airport BART Station contract as a result of BART not receiving the Full Funding Grant Agreement from the Federal Transportation Administration in time to support the early bid of the construction contract. The duration of the 5600.AE contract was also extended due to the split and stagger of the construction contracts for the North and South International Parking Garages.

The increase in contract value of $1,725,700 provided for various changes to the International Parking Garages and the Concourse H/Airport BART Station facility.

Modification No. 3

The Airport desires to issue Modification No. 3 to the 5600.AE contract to: 1) extend the contract duration; 2) increase the contract value by $1,236,926 for a new contract value of $23,469,626; and, 3) to provide for administrative changes (see Modification No. 3 budget and budgetary details).

The work to be provided under Modification No. 3 began at various times over the course of construction of the facilities. The Airport and ED2/MBT could not agree on responsibility for providing the extended CA services following the date of the original contract completion. The Airport and ED2/MBT agreed that ED2/MBT would provide the services as required and that the costs would be negotiated at a later date, since prior to beginning the extended CA services, it was not clear what level of effort and for what duration the services would be required. The Airport and ED2/MBT made significant efforts to negotiate the split/stagger of the Garages contracts prior to performing the services, however an agreement could not be reached. The services were tracked on a time-and-materials basis. Final negotiations took place following construction completion. The Airport share of the costs incurred by ED2/MBTduring the extended construction duration for the various facilities amounts to $1,444,386. The amount for the Deluge System Graphics and Fire Pump Flue Design was negotiated for $18,200. Therefore, the total negotiated amount for Modification No. 3 is $1,462,586. This will be funded from the Modification No. 3 requested amount of $1,236,926 and the unexpended budget from Modification No. 2 in the amount of $225,660. The Airport did not seek Board of Supervisors approval prior to beginning these services since, at the time the services began and throughout the performance period, the advice from the Airport Legal counsel held that

"construction-related" professional services fall under the same exemption as construction services for contracts in excess of $10M. On May 31, 2002, the City Attorney issued Opinion No. 2002-03 which held that these services do not fall under the exemption and are therefore subject to Board of Supervisors approval.

The increased cost of construction associated with the services provided under Modification No. 3 for extended CA services is approximately $2,300,000. The amount for the Deluge System Graphics and Fire Pump Flue Design is approximately $50,000._
The duration of the contract will be extended due to the delay in completing construction of the various facilities due to BART and Airport initiated changes.

The increase in contract value of $1,236,926 will provide for extended construction administration (CA) services and changes to the Concourse H/Airport BART Station facility. CA services are included in Basic Services provided by the design consultant during construction to support the fulfillment of design-related obligations of the construction contract and in responding to construction issues. The services include, in part: responding to Requests for Information (RFI's); reviewing shop drawings/product/material submittals; responding to Requests for Change (RFC's); providing design clarifications; attending weekly meetings. The extended CA services for the North and South International Parking Garages are required primarily due to the split and stagger of construction of the two facilities, which were originally envisioned to be constructed simultaneously under a single contract. The extended CA services for the Rental Car Center are required primarily due to construction delays attributable to Airport-initiated changes to the facility late in construction. The extended CA services for the Concourse H/Airport BART Station facility are required primarily due to the construction delays attributable to Airport and BART-initiated changes. Further, for the Concourse H/Airport BART Station facility, this modification provides for additional design services required for the BART undercar deluge system graphics, as requested by the Airport.

<u>The total amount negotiated for the services to be provided under this modification is $1,462,586. The Modification No. 3 amount is reduced by $225,660 due to this amount being unexpended from Modification No. 2. The following summarizes the agreed-upon amounts for the additional services provided in Modification No. 3:</u>

1)	North Int'l Parking Garage			
		CA Services Direct Cost (See Attached)	$144,980	
		CA Services Inefficiency Factor (Footnote 1)	<u>$375,000</u>	
				$519,980
2)	South Int'l Parking Garage			
		CA Services Direct Cost (See Attached)		$282,759
3)	Rental Car Center/QTA			
		CA Services Direct Cost (Footnote 1)	$ 58,222	
		CA Services Direct Cost (Footnote 1)	<u>$ 3,425</u>	
				$ 61,647
4)	Concourse H/Airport BART Station			

5)	CA Services Direct Cost (Footnote 1)	$580,000	
	Deluge System Graphics (Footnote 1)	$ -8,200	
	Fire Pump Flue Design (Footnote 1)	$ 10.000	
			$598.200
	TOTAL ADDITIONAL SERVICES		$1,462,586
	UNEXPENDED FROM MOD. 2 (Footnote 2)		$225,660
	MODIFICATION NO. 3 AMOUNT		**$1,236,926**

BART San Francisco Airport Extension Project

Following the passage of Proposition I by the voters of the City and County of San Francisco requiring the extension of BART into the Airport Terminal area, by Resolution No. 621-97 the Board of Supervisors approved the issuance of up to $220,000,000 in Airport second series revenue bonds for capital improvements related to the BART to SFO Extension project. Adopted by the Airport Commission on July 15, 1997, and approved by the Board of Supervisors through Resolution 183-98, the City and BART entered into an agreement, termed the "BART San Francisco Airport Extension Project On-Airport Project Development Agreement" ("the Development Agreement"), which provides protocols for the implementation of the on-Airport BART work and the administration of the Airport's "up to $200 million" contribution to the BART extension to SFO.

The Development Agreement further specifies how costs are to be split between the Airport and BART for the various contracts containing BART components. However, BART does not contribute directly to the costs of the BART work on-Airport. All costs for BART in the 5600.AE contract and other Airport contracts containing BART elements are funded from the Airport's "up to $200 million" contribution to the BART-SFO Extension project. This funding is provided through Airport Revenue Bonds.

If you have any questions regarding this information, please don't hesitate to call.

Footnotes:

1) These services were negotiated amounts based on documentation of total costs incurred for CA services. The total costs incurred by ED2/MBT were reviewed by the Airport and assessed based on Agreement obligation for the consultant providing three additional months of CA services beyond construction completion and the obligation to provide punchlist support as Basic Services. Further, the negotiated amounts were adjusted based on field support requirements due to design clarifications required during construction. The amounts for the Deluge System Graphics and the Fire Pump Flue Design were negotiated lump sums based on scope of work.

Hours and Hourly Rates for Work on North and South International Garage

		S. Garage 9500.100		N. Garage 9500.124	
Employee	Hourly Rate	Hours	$	Hours	$
Ayers	$ 130	6.25	$ 813		$ -
Chin	$ 81	633.50	$ 51,314	718.50	$ 58,199
Chong	$ 70		$ -		$ -
Chung	$ 65	187.00	$ 12,155		$ -
Fung, F.	$ 150	32.50	$ 4,875		$ -
Fung, M.	$ 70		$ -	15.00	$ 1,050
Jewett	$ 100		$ -	9.50	$ 950
Kao	$ 45	14.50	$ 653		$ -
Lau	$ 90		$ -		$ -
Lin	$ 45	155.00	$ 6,975	76.00	$ 3,420
MacLean	$ 55	40.50	$ 2,228		$ -
Ong	$ 120		$ -		$ -
Skalko	$ 120	101.00	$ 12,120	295.00	$ 35,400
Tom	$ 90	1,220.50	$ 109,845		$ -
Valle	$ 35	376.50	$ 13,178	300.50	$ 10,518
Winfred	$ 85	192.00	$ 16,320		$ -
Wong	$ 60	159.00	$ 9,540		$ -
Wu	$ 55		$ -		$ -
Yang	$ 45	219.00	$ 9,855	467.00	$ 21,015
Young	$ 150		$ -		$ -
Yee	$ 130	253.00	$ 32,890	111.00	$ 14,430
Total		3,590.25	$ 282,759	1,992.50	$ 144,981

Original Budget and Modification No. 1
Summarized Budgets with Budgetary Details

Original Contract Budget

Basic Services:	
Phase:	
Schematic Validation	$1,622,400
Design Development	2,704,000
Construction Document	5,543,200
Bidding	135,200
Construction	3,380,000
Operation/ Project Close-out	135,200
Total Basic Services	$13,520,000
Additional Services: (which include sub-consultants and reimbursable expenses.)	$1,690,000
Total:	**$15,210,000**

Modification No. 1 Budget

Basic Services:	
North and South International Parking Garage:	
Schematic Validation	$900,000
Design Development	1,500,000
Construction Document	3,075,000
Bidding	75,000
Construction	1,875,000
Operation/ Project Close-out	75,000
Total Basic Services	$7,500,000
Additional Services: (includes Reimbursables, Project Representative, Etc.)	$957,000
SubTotal:	$8,457,000
Basic Services:	
Rental Car Facility:	
Schematic Validation	$777,000
Design Development	621,600
Construction Document	2,331,000
Bidding	103,600
Construction	1,295,000
Operation/ Project Close-out	51,800
Total Basic Services	$5,180,000

Additional Services: (includes Reimbursables, Project Representative, Etc.)	$857,000
SubTotal:	**$6,037,000**

Basic Services:

Concourse H/Airport BART Station:	
Schematic Validation	$643,560
Design Development	1,072,600
Construction Document	2,198,830
Bidding	53,630
Construction	1,340,750
Operation/ Project Close-out	53,630
Total Basic Services	$5,363,000
Additional Services: (includes Reimbursables, Project Representative, Etc.)	$650,000
SubTotal:	**$6,013,000**
Total:	**$20,507,000**

Scope of Services:

Schematic Design Phase:

- Consult with Commission to clarify and define project requirements.
- Conduct Site visits and investigations to determine scope of work.
- Advise the Airport project manager of any additional information necessary for purposes of design.
- Advise Commission as to necessity of providing or obtaining any other information pertinent to the Project.
- Prepare preliminary estimates of construction costs and times of completion for project.
- Develop alternative conceptual plans and provide general economic analysis of program requirements applicable to various design alternatives.
- Prepare reports containing schematic layouts, sketched and conceptual design criteria.
- Outline specifications including architectural, structural, mechanical, electrical, and instrumentation systems.
- Prepare mounted presentation site plan.
- Prepare tabulation of both gross and assign-able floor areas.
- Prepare reports on Consultant's opinion of probable project costs based on schematic layouts, sketches and conceptual design criteria provided.
- Participate with Airport Project Manager in the conducting of a Value Engineering Workshop
- Provide estimate of possible project construction cost savings for all components of the work.
- Following the results of the Value Engineering Workshop, submit a revised estimate of total project costs.
- Prepare recommendations for phasing of the construction work to minimize disruptions and interferences with Airport operations and concurrent construction activities.
- Attend all required meetings.
- Prepare phase I submittal to the Art Commission on behalf of the Airport Commission.

Design Development Phase:

- Submit preliminary design documents and revised opinion of total project costs.

- Consultant shall establish and maintain a computer database compatible with the Commission's construction manager.
- Consultant shall not have direct control over Contractor's work.
- Consultant shall provide services of a Resident Project Representative at the site to assist Consultant.
- Consultant shall make recommendations to the Airport Project Manager to disapprove or reject Contractor's work or to accept Contractor's work.
- Consultant shall issue necessary interpretations and Requests for Information regarding Contract Documents.
- Consultant shall make all revisions and changes to the Drawings and Specifications to correct errors or omissions.
- Consultant shall employ and engage personnel who are sufficiently qualified to conduct meaningful review of the drawings and submittals.
- Consultant shall maintain a computer based system to record, control and manage the review of submittals.
- Consultant shall provide to the Airport Project Manager for approval a color schedule, samples and textures of all materials in the work.
- Consultant shall evaluate and determine the acceptability of substitute materials and equipment.
- Consultant shall review quality control submittals and requests for substitution from Construction Contractor in a timely manner.
- Consultant shall request Airport Project Manager to require special inspection or testing of the work when necessary.
- Consultant shall receive and review all certificates of inspections.
- Consultant shall inspect work to determine if work or portions of work are substantially complete.
- Consultant shall witness factory and site testing.
- Consultant shall attend all weekly construction contract progress meetings.
- Consultant shall conduct inspections to determine if the work or portions of the work is substantially complete and a final inspection to determine if the completed work is acceptable and will recommend, in writing, whether final payment shall be made to Contractor and will give written notice to Commission.

Operation/ Project Close out Phase:
- Provide assistance in connection with the refining, adjusting and correcting any equipment or systems.
- Assist in start-up, testing and placing in operation special equipment and systems.
- Provide assistance in connection with completion of punch-list work.
- Assist Commission in developing systems and procedures for control of the operation and maintenance.
- Prepare electronic record sets of reproducible record prints or drawings showing changes made during construction process.
- With the Commission, visit the project to observe any apparent defects in the completed construction.
- Assist Commission in consultations and discussions with Contractor concerning correction of such deficiencies and make recommendations as to replacement or correction.

Post-Construction Resolution Phase Services (if requested by Commission as additional services).

ATTACHMENT A

(Page 1 of 2)

Modification No. 2 Budget

Contract 5600AE - Modification No. 2 Summary of Changes and Proposed Contract Budget

SUMMARY OF CHANGES

	Airport Contribution to BART Funding	Total Airport Funding	Funding Sources
NORTH AND SOUTH INTERNATIONAL PARKING GARAGES			
1) AirTrain System Requirements	$ -	$ 80,000	Airport Revenue Bonds Issues 24A/25
2) Airport Requirements	$ -	$ 364,000	Airport Revenue Bonds Issues 24A/25
3) North Garage Bid		$ 364,000	Airport Revenue Bonds Issues 24A/25
CONCOURSE H/AIRPORT BART STATION	$ -		
1) AirTrain System Requirements	$ -	$ 255,600	Airport Revenue Bonds Issues 24A/25
2) Airport Requirements	$ 52,300	$ 83,200	Airport Revenue Bonds Issues 24A/25
3) BART-requested Changes	$ 545,300	$ 545,300	Airport Revenue Bonds Issues 24A/25
4) BART-requested Changes	$ 23,200	$ 33,600	Airport Revenue Bonds Issues 24A/25
TOTALS	$ 620,800	$ 1,725,700	

PROPOSED CONTRACT FUNDING

		Modification No. 1		Proposed Modification No. 2		Project
	Original	Airport	BART	Airport	BART	Totals
PROJECT ELEMENTS						
1) International Parking Garage	$ 15,210,000	$ (6,753,000)	$ -	$ 808,000	$ -	$ 9,265,000
2) Rental Car Garage	$ -	$ 6,037,000	$ -	$ -	$ -	$ 6,037,000
4) Concourse H/Airport BART Station	$ -	$ 1,864,030	$ 4,148,970	$ 296,900	$ 620,800	$ 6,930,700
TOTALS	$ 15,210,000	$ 1,148,030	$ 4,148,970	$ 1,104,900	$ 620,800	$ 22,232,700

MBE/WBE PARTICIPATION

MBE:	17.0% (City Goal = 17.0%)
WBE:	5.0% (City Goal = 5.0%)

ATTACHMENT A

(Page 2 of 2)

Contract 5600AE - Modification No. 2 Description of Scope of Services

Project Element/Services	Amount	Description of Services
NORTH AND SOUTH INTERNATIONAL PARKING GARAGES		
1) AirTrain System Requirements	$ 80,000	These services provided for redesign of the guideway to accommodate the AirTrain System supplier.
2) Airport Requirements	$ 364,000	These services provided for various Airport-initiated changes and unforeseen conditions.
3) North Garage Bid	$ 364,000	These services were required for the preparation of bid documents due to issuing separate construction contracts for the North & South Int'l Parking Garages
CONCOURSE H/AIRPORT BART STATION		
1) AirTrain System Requirements	$ 255,600	These services provided for redesign of the guideway to accommodate the AirTrain System supplier.
2) Airport Requirements	$ 83,200	These services provided for various Airport-initiated changes and unforeseen conditions.
3) BART-requested Changes	$ 545,300	These services provided for various BART-initiated changes including the smoke extraction and rebid due to the BART delay.
4) Construction Deficiencies	$ 33,600	These services were required to correct contractor-caused errors.
TOTAL	$ 1,725,700	

Modification No. 3 Budget

ATTACHMENT B

(Page 1 of 2)

SUMMARY OF CHANGES

	Airport Contribution to BART Funding	Total Airport Funding	Funding Sources
NORTH AND SOUTH INTERNATIONAL PARKING GARAGES			
1) No. Garage Extended CA Services	$ -	$ 519,981	Airport Revenue Bonds Issue 9A/13A
2) So. Garage Extended CA Services	$ -	$ 282,759	Airport Revenue Bonds Issue 9A/13A
RENTAL CAR CENTER			
1) Extended CA Services	$ -	$ 58,222	Airport Revenue Bonds Issue 9A/13A
2) QTA Extended CA Services	$ -	$ 3,425	Airport Revenue Bonds Issue 9A/13A
CONCOURSE H/AIRPORT BART STATION			
1) Extended CA	$ 580,000	$ 580,000	Airport Revenue Bonds Issue 9A/13A
2) Deluge System Graphics	$ 8,200	$ 8,200	Airport Revenue Bonds Issue 9A/13A
3) Fire Pump Flue Redesign	$ 6,900	$ 10,000	Airport Revenue Bonds Issue 9A/13A
SUB-TOTALS	$ 595,100	$ 1,462,587	
UNEXPENDED FROM MOD. 2	$ 283,426	$ (225,660)	Airport Revenue Bonds Issue 24A/25
TOTALS	$ 878,526	$ 1,236,926	

PROPOSED CONTRACT FUNDING

			Modification No. 2		Proposed Modification No. 3		Project
	Original	Contr. To BART	Master Plan	Contr. To BART	Master Plan	Contr. To BART	Totals
PROJECT ELEMENTS							
1) International Parking Garage	$ 15,210,000	$ -	$ 808,000	$ -	$ 17,954		$ 9,282,954
2) Rental Car Garage	$ -	$ -	$ -	$ -	$ (64,383)		$ 5,972,617
4) Concourse H/Airport BART Station	$ -	$ 4,148,970	$ 296,900	$ 620,800	$ 404,829	$ 878,526	$ 8,214,054
TOTALS	$ 15,210,000	$ 4,148,970	$ 1,104,900	$ 620,800	$ 358,400	$ 878,526	$ 23,469,626

MBE/WBE PARTICIPATION

MBE:	26.7% (City Goal = 17.0%)
WBE:	8.8% (City Goal = 5.0%)

Contract5600AE - Description of Scope of Services

Project Element/Services	Description of Services
NORTH AND SOUTH INTERNATIONAL PARKING GARAGES	
1) No. Garage Extended CA Services	These servicces provide for extended design support during construction of the North Int'l Parking Garage. These services were required due to the Airport directing the consultant to provide CA services on separate, staggered construction contracts for the North Int'l Parking Garage and South Int'l Parking Garage.
2) So. Garage Extended CA Services	These services provide for extended design support during construction of the South Int'l Parking Garage. These services were required due to: 1) the delay in completing construction of the South Garage due to Airport changes; and, 2) issuing separate, staggered construction contracts for the North and South Garages.
RENTAL CAR CENTER	
1) Extended CA Services	These services provide for extended design support during construction of the Rental Car Center. These services were required due to the delay in completing construction of the RCC due to Airport changes.
2) QTA Extended CA Services	These services provide for extended design support during construction of the RCC Quick Turn-Around. These services were required due to the delay in completing construction of the QTA due to tenant changes.
CONCOURSE H/AIRPORT BART STATION	
1) Extended CA	These services provide for extended design support during construction of the Concourse H facility. These services were required due to the delay in completing construction of the Concourse H facility due to Airport and BART changes.
2) Deluge System Graphics	These services provide for the graphics design of the BART platform undercar deluge system, as requested by the Fire Marshal's Office.
3) Fire Pump Flue Redesign	These services provide for the redesign of the fire pump flue system, as requested by the Airport.

ATTACHMENT III – SUMMARY OF MODIFICATIONS

	Reason for Contract Modification	Master Plan/CIP	Airport's contribution to BART-SFO Extension Project	Change in Contract Amount	Total Contract Amount	Date and Airport Commission Resolution No.
Modification No. 1	To provide complete architectural and engineering design services for the North and South International Parking Terminal, Concourse H/Airport BART Station and the Rental Car Facility.	$1,148,030	$4,148,970	$5,297,000	$20,507,000	August 6, 1996 Resolution 96-0203
Modification No. 2	To provide for various changes required for AirTrain, BART and the International Parking Garages.	$1,104,900	$620,800	$1,725,700	$22,232,700	May 16, 2000 Resolution 00-0172
Proposed Modification No. 3	To provide for extended CA services and various changes to the Concourse H facility.	$358,400	$878,526	$1,236,926	$23,469,626	January 30, 2003 Resolution 03-0013
Total:		**$17,821,330**	**$5,648,296**	**$23,469,626**	**$23,469,626**	

BOARD of SUPERVISORS

Dr. Carlton B
San Fr
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 544-5227

NOTICE OF CANCELLED MEETING

FINANCE AND AUDITS COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN that the meeting of the Finance and Audits Committee scheduled for April 23, 2003 at 12:30 p.m., at 1 Dr. Carlton B. Goodlett Place, Room 263, City Hall, San Francisco, California, has been **cancelled**.

Gloria L. Young, Clerk of the Board

City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGo.

Clerk: Linda Laws

Wednesday, April 30, 2003 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

MEETING CONVENED

The meeting convened at 12:36 p.m.

REGULAR AGENDA

030527 **[Reserved Funds, Recreation and Park Department]**

Hearing to consider release of reserved funds, Recreation and Park Department (fiscal year 2000-2001 budget), in the amount of $1,087,131 to enable the department to manage, design and construct park and recreation facilities anticipated in the Department's Capital Plan. (Recreation and Park Department)

4/8/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Gary Hoy, Recreation and Park Department.
Continued to 5/21/03.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030597 **[Reserved Funds, Department of Human Services]**

Hearing to consider release of reserved funds, Department of Human Services (Fiscal Year 2000-01 Budget "Homeless Services Coordination", Ordinance 180-00), in the amount of $59,000 to pay for the consultant's time and materials needed to create comprehensive manuals for each shelter, locate training resources already available for no fee, coordinate with shelter staff and provide training to better serve the clients. (Human Services Department)

4/11/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Richard Robinson, CATS.
Release of reserves in the amount of $59,000 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030594 **[Reserved Funds, Department of Public Works]**

Hearing to consider release of reserved funds, Department of Public Works 1992 Fire Bond (File No. 101-96-12), in the amount $2,467,228 for the renovation of Fire Stations 6, 13 and 32. (Public Works Department)

4/10/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Speakers: None.
Release of reserves in the amount of $2,467,228 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030619 **[Release of reserved funds, Airfield Development Bureau]**

Supervisor Dufty

Motion for hearing regarding release of $3.7 million held in reserve of the Airfield Development Bureau budget allocation for Fiscal Year 2002-03.

4/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Male Speaker; Ted Lakey, Deputy City Attorney; Ivar Satero, Airport Commission; Cathy Widener, Airport Commission; Male Speaker, Janitors Union.
Continued to 5/7/03.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030639 **[Federal Funding - Community Development Grant]**

Mayor

Resolution approving the 2003 Community Development Program; and authorizing the Mayor, on behalf of the City and County of San Francisco, to accept and expend the City's 2003 Community Development Block Grant (CDBG) entitlement from the U. S. Department of Housing and Urban Development, and Program Income of $33,542,928 which include indirect costs of $150,000, and approving expenditure schedules for recipient departments and agencies and for indirect costs. (Mayor)

(Public Benefit Recipient.)

4/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Roger Sanders, Mayor's Office of Community Development; Daryl Higashi, Mayor's Office of Housing; Luther Rickert, Central City Hospitality House; Dr. Norma Techson, Filipino-American Council; Relio Bunag, Renaissance Parents of Success; Elizabeth Echols, OpNet Community Ventures; Janet Gomes, SF Conservation Corps.; Karen Lam, Kai Ming Headstart; Bernadette Sy, Filipino-American Development Fund; Abeer Rafidi, Arab Cultural Center; Roger Gordon, Urban Solutions; Richard Robinson, CATS.
4/30/03 Amendment of the Whole bearing new title prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution approving the 2003 Community Development Program; and authorizing the Mayor, on behalf of the City and County of San Francisco, to accept and expend the City's 2003 Community Development Block Grant (CDBG) entitlement from the U. S. Department of Housing and Urban Development, and Program Income of $34,246,928 which include indirect costs of $150,000, and approving expenditure schedules for recipient departments and agencies and for indirect costs; placing $567,262 on reserve. (Mayor)

(Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030640 [Federal Funding - Emergency Shelter Grants Program]

Mayor

Resolution approving the 2003 Emergency Shelter Grants Program and Expenditure Schedule; and authorizing the Mayor on behalf of the City and County of San Francisco to accept, and expend a $867,000 entitlement under the Emergency Shelter Grants Program from the U. S. Department of Housing and Urban Development. (Mayor)

(Public Benefit Recipient.)

4/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Roger Sanders, Mayor's Office of Community Development; Daryl Higashi, Mayor's Office of Housing; Luther Rickert, Central City Hospitality House; Dr. Norma Techson, Filipino-American Council; Relio Bunag, Renaissance Parents of Success; Elizabeth Echols, OpNet Community Ventures; Janet Gomes, SF Conservation Corps.; Karen Lam, Kai Ming Headstart; Bernadette Sy, Filipino-American Development Fund; Abeer Rafidi, Arab Cultural Center; Roger Gordon, Urban Solutions; Richard Robinson, CATS.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030641 [Federal Funding - Home Program]

Mayor

Resolution authorizing the Mayor of the City and County of San Francisco to accept and expend a grant from the U. S. Department of Housing and Urban Development for a total amount of $8,804,657 which include indirect cost of $10,000 for the HOME Program authorized under TITLE II of the National Affordable Housing Act of 1990, Public Law Number 101-625, and approving the HOME Program description as described in the 2003 Action Plan for San Francisco's Consolidated Plan. (Mayor)

(Public Benefit Recipient.)

4/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Roger Sanders, Mayor's Office of Community Development; Daryl Higashi, Mayor's Office of Housing; Luther Rickert, Central City Hospitality House; Dr. Norma Techson, Filipino-American Council; Relio Bunag, Renaissance Parents of Success; Elizabeth Echols, OpNet Community Ventures; Janet Gomes, SF Conservation Corps.; Karen Lam, Kai Ming Headstart; Bernadette Sy, Filipino-American Development Fund; Abeer Rafidi, Arab Cultural Center; Roger Gordon, Urban Solutions; Richard Robinson, CATS.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030689 [Pass through to residential tenants 50% of water bill charges attributable to water rate increases resulting from issuance of PUC water system revenue bonds]

Supervisors Daly, Maxwell

Ordinance amending Administrative Code Chapter 37 (Residential Rent Stabilization and Arbitration Ordinance) by amending Sections 37.2, 37.3, and 37.8, to provide that landlords may pass through to residential tenants fifty percent (50%) of water bill charges attributable to water rate increases resulting from the issuance of any PUC water system revenue bonds authorized at the November 5, 2002 election, where a unit is in compliance with any applicable laws requiring water conservation devices; to provide that tenants be given notice of any such passthrough; to provide that any such passthrough does not become part of a tenant's base rent; to provide that a tenant may file a hardship application with the Rent Board for relief from all or part of the cost passthrough, and that if a hardship application is granted the affected landlord may utilize any available Public Utilities Commission low-income rate discount program or similar program for water bill reduction based on the tenant's hardship status; to provide that a tenant may file a petition with the Rent Board within one year of the effective date of a passthrough for determination of whether that passthrough is in compliance with the Code, and that the landlord bears the burden of proving the accuracy of the passthrough calculations in such a hearing; clarification of other Rent Ordinance provisions, in order to distinguish general obligation bonds from water revenue bonds; and technical changes in order to conform to other recent Rent Ordinance amendments.

4/22/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

4/29/03, SUBSTITUTED. Supervisor Daly submitted a substitute ordinance approved as to form. Sponsor requested this item be scheduled for consideration at the 4/30/03 meeting.

4/29/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Bill Barnes, Aide to Supervisor Daly; Bill Berry, SFPUC; Ted Lakey, Deputy City Attorney; Marie Corlett Blits, Deputy City Attorney; Patricia Martel, SFPUC; Harlan Kelly, Jr., SFPUC; Joe Grubb, Rent Stabilization Board; Karen Kubick, SFPUC; Jeet Bajwa, SFPUC; Ernestine Weiss; Jim Salinas; Rodney Hampton; Male Speaker, Local 22; Lisa Feldstein, Local 21; Stan Warren, SF Building Trades Council; Douglas Perry, Organized Labor Newspaper; Michael Sangiacomo; Lee Blitch, SF Chamber of Commerce; David Novogradsky, Local 21.
4/30/03 Amendment of the Whole bearing new title prepared in Committee.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance amending Administrative Code Chapter 37 (Residential Rent Stabilization and Arbitration Ordinance) by amending Sections 37.2, 37.3, and 37.8, to provide that landlords may pass through to residential tenants fifty percent (50%) of water bill charges attributable to water rate increases resulting from the issuance of any PUC water system revenue bonds authorized at the November 5, 2002 election, where a unit is in compliance with any applicable laws requiring water conservation devices; to provide that landlords give tenants notice of any such passthrough on a Rent Board form, and that a tenant is entitled to a copy of the water bill from the landlord upon request; to provide for a line item on each water bill showing the charge per unit of water that is attributable to water rate increases resulting from issuance of such bonds, multiplied by the total units of water used by that customer during the billing cycle; to provide that where one water bill covers multiple units, the permissible passthrough per unit is calculated by dividing 50% of that line item amount by the total number of units covered by the bill (including any commercial units); to provide that any such passthrough does not become part of a tenant's base rent; to provide that a tenant may file a hardship application with the Rent Board for relief from all or part of the cost passthrough, and that if a hardship application is granted the affected landlord may utilize any available Public Utilities Commission low-income rate discount program or similar program for water bill reduction based on the tenant's hardship status; to provide that a tenant may file a petition with the Rent Board within one year of the effective date of a passthrough for determination of whether that passthrough is in compliance with the Code, and that the landlord bears the burden of proving the accuracy of the passthrough calculations in such a hearing; clarification of other Rent Ordinance provisions, in order to distinguish general obligation bonds from water revenue bonds; and technical changes in order to conform to other recent Rent Ordinance amendments.

REFERRED WITHOUT RECOMMENDATION by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030630 [PUC Commercial Paper Issuance]

Mayor, Supervisors Daly, Maxwell

Resolution approving the issuance of not to exceed $250,000,000 aggregate principal amount outstanding at any one time of the San Francisco Public Utilities Commission Commercial Paper Notes (Water Series) pursuant to Article V of Chapter 43 of Part 1 of the San Francisco Municipal Code for the purpose of financing certain capital improvements related to the water enterprise; approving the maximum interest rate thereon; and related matters. (Mayor)

(No Public Benefit Recipient.)

4/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Bill Barnes, Aide to Supervisor Daly; Bill Berry, SFPUC; Ted Lakey, Deputy City Attorney; Marie Corlett Blits, Deputy City Attorney; Patricia Martel, SFPUC; Harlan Kelly, Jr., SFPUC; Joe Grubb, Rent Stabilization Board; Karen Kubick, SFPUC; Jeet Bajwa, SFPUC; Ernestine Weiss; Jim Salinas; Rodney Hampton; Male Speaker, Local 22; Lisa Feldstein, Local 21; Stan Warren, SF Building Trades Council; Douglas Perry, Organized Labor Newspaper; Michael Sangiacomo; Lee Blitch, SF Chamber of Commerce; David Novogradsky, Local 21.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030617 [Funding for the SFPUC Capital Improvement Program, Fiscal Year 2002-03]

Mayor, Supervisors Daly, Maxwell

Ordinance appropriating $66,075,000 of funding from the sale of commercial paper for capital projects and financing costs pursuant to the San Francisco Public Utilities' Commission Capital Improvement Program for fiscal year 2002-03. (Mayor)

(No Public Benefit Recipient.)

4/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Bill Barnes, Aide to Supervisor Daly; Bill Berry, SFPUC; Ted Lakey, Deputy City Attorney; Marie Corlett Blits, Deputy City Attorney; Patricia Martel, SFPUC; Harlan Kelly, Jr., SFPUC; Joe Grubb, Rent Stabilization Board; Karen Kubick, SFPUC; Jeet Bajwa, SFPUC; Ernestine Weiss; Jim Salinas; Rodney Hampton; Male Speaker, Local 22; Lisa Feldstein, Local 21; Stan Warren, SF Building Trades Council; Douglas Perry, Organized Labor Newspaper; Michael Sangiacomo; Lee Blitch, SF Chamber of Commerce; David Novogradsky, Local 21.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030538 **[Professional Services Contract]**

Supervisors Maxwell, Sandoval, McGoldrick

Resolution approving the Public Utilities Commission's approval of Amendment No. 2 to Contract No. CS-524, Program Management Contract, changing the designated consultant's title, name references, and setting the criteria for the payment of performance fees; and approving the renewal of Contract No. CS-524, the Water Infrastructure Partners (WIP) for a third year; and approving the release of contract Year 3 reserved funds of $5.188M. (Public Utilities Commission)

(No Public Benefit Recipient.)

4/15/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Bill Barnes, Aide to Supervisor Daly; Bill Berry, SFPUC; Ted Lakey, Deputy City Attorney; Marie Corlett Blits, Deputy City Attorney; Patricia Martel, SFPUC; Harlan Kelly, Jr., SFPUC; Joe Grubb, Rent Stabilization Board; Karen Kubick, SFPUC; Jeet Bajwa, SFPUC; Ernestine Weiss; Jim Salinas; Rodney Hampton; Male Speaker, Local 22; Lisa Feldstein, Local 21; Stan Warren, SF Building Trades Council; Douglas Perry, Organized Labor Newspaper; Michael Sangiacomo; Lee Blitch, SF Chamber of Commerce; David Novogradsky, Local 21.
4/30/03 Amendment of the Whole bearing new title prepared in Committee.
Supervisors Sandoval and McGoldrick requested to be added as co-sponsors.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution approving the Public Utilities Commission's approval of Amendment No. 2 to Contract No. CS-524, Program Management Contract, changing the designated consultant's title, name references, and setting the criteria for the payment of performance fees; and approving the renewal of Contract No. CS-524, the Water Infrastructure Partners (WIP) for a third year; and approving the release of contract Year 3 reserved funds of $5.052M. (Public Utilities Commission)

(No Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

030400 **[Approval of Lease Amendment for Waterfront Restaurant]**

Resolution approving Fourth Lease Amendment to Port Lease No. L-11859 between the Port Commission and Bundox Restaurant, Inc., a California corporation ("Tenant") for the lease of real property commonly known as the Waterfront Restaurant. (Port)

(Public Benefit Recipient.)

3/12/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Ted Lakey, Deputy City Attorney; Kenneth Winters, Port; Mary Murphy, attorney for Bundox Restaurant.
Continued to 5/7/03.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 4:13 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

April 24, 2003

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: April 30, 2003 Finance and Audits Committee Meeting

Item 3 – File 03-0594

Department: Department of Public Works (DPW)

Item: Hearing to consider the release of $2,467,228 placed on reserve by the Board of Supervisors, pending submission of budget details, including the selection of contractors.

Amount: $2,467,228

Source of Funds: 1992 Fire Protection Bond Series 1996 C

Description: On October 16, 1996, the Board of Supervisors appropriated $14,233,588 of Fire Protection Bond proceeds to fund project management, architectural and engineering design services and construction costs for rehabilitation of 20 Fire Department facilities (Ordinance 101-96-12). Of the $14,233,588, the Board of Supervisors approved expenditures of $6,369,488 for (a) DPW project management services, (b) architectural and engineering services, and (c) construction costs for three of the 20 Fire Department facilities for which DPW had selected a contractor. The Board of Supervisors reserved $7,864,100 of the $14,233,588, pending selection of construction

contractors and submission of budget details for 17 of the 20 Fire Department facilities.

The Board of Supervisors has released a total of $4,340,872 of the $7,864,100 balance on reserve after the DPW selected construction contractors and submitted to the Finance Committee the budget details for seven of the 17 proposed Fire Department facilities rehabilitation projects, leaving $3,523,228 remaining on reserve.

Budget: Attachment I, provided by the DPW, contains budget details for the requested release of $2,467,228 of the remaining $3,523,228 on reserve, which includes $300,100 for rehabilitation of Fire Station 6 located at 135 Sanchez Street, $834,387 for rehabilitation of Fire Station 13 located at 530 Sansome Street and $1,332,741 for rehabilitation of Fire Station 32 located at 194 Park Street.

Comments:

1. According to Mr. Douglas Legg of the DPW, the DPW did not submit the contractor selection and budget details for rehabilitation of Fire Stations 6, 13 and 32, in accordance with the Board of Supervisors previous actions and directions regarding the release of the subject reserved funds. Attachment II is a memorandum from Mr. Legg explaining why the DPW did not request a release of these reserved funds prior to expenditure of the subject reserved funds for rehabilitation of the three Fire Stations. According to Mr. Legg, the expenditure of the subject reserved funds prior to first obtaining Board of Supervisors approval was an administrative error on the part of the DPW.

According to Mr. Legg, the subject requested release of $2,467,228 has already been paid to contractors, without first obtaining Board of Supervisors approval for the release of the subject requested reserved funds.

2. As shown in Attachment I, the total Fire Station 6 project budget is $912,397, of which $300,100 would be funded from the requested release of $2,467,228. Mr. Legg reports that construction work, including construction costs, DPW project management and other related costs, for Fire Station 6 has already been

completed. According to Mr. Legg, total project costs of $912,397 included $300,100 in the subject reserved Bond funds, plus $612,297 in other funding sources, including interest earned on bond proceeds and Public Utilities Commission energy conservation funds. Mr. Legg reports that DPW awarded the construction contract to P & A Construction Co., which submitted the low bid through a competitive bid process conducted by the DPW.

3. As shown in Attachment I, the total Fire Station 13 project budget is $1,733,648, of which $834,387 would be funded from the requested $2,467,228. According to Mr. Legg, total project costs of $1,733,648 include $834,387 in the subject reserved Bond funds, plus $899,261 in other funding sources previously appropriated by the Board of Supervisors, including interest earned on bond proceeds. Mr. Legg reports that the DPW awarded the construction contract to Chiang C.M. Construction, Inc., who submitted the low bid through a competitive bid process conducted by the DPW.

4. As shown in Attachment I, the total Fire Station 32 project budget is $1,974,457, of which $1,332,741 would be funded from the requested release of $2,467,228. According to Mr. Legg, total project costs of $1,974,457 include $1,332,741 in the subject reserved Bond funds, plus $641,716 in other funding sources previously appropriated by the Board of Supervisors, including interest earned on bond proceeds. Mr. Legg reports that the DPW awarded the construction contract to Chiang C.M. Construction, Inc., who submitted the lowest bid in a competitive bid process, after considering points for being a Local Business Enterprise and Minority Business Enterprise firm.

5. If the Board of Supervisors approves this requested release of $2,467,228, the 1992 Fire Protection Bond Series 1996 C fund balance remaining on reserve would be $1,056,000, none of which has been expended, according to Mr. Legg.

6. According to Mr. Legg, of the 20 Fire Department facilities rehabilitation projects funded by the 1992 Fire Protection Bond Series 1996 C proceeds, 16 have been

completed or nearly completed. The four remaining uncompleted projects are the Central Fire Alarm facility, the Fire Chief's Headquarters, the Fire Department Fire Boat Headquarters and the Bureau of Training, with total estimated project costs of $4,719,073. According to Mr. Legg, total estimated project costs of $4,719,073 would be funded by the remaining balance of $1,056,000 in reserved 1992 fire Protection Bond Series 1996 C funds, plus $3,663,073 in other funding sources, including interest earned on bond proceeds previously appropriated by the Board of Supervisors.

7. According to Ms. Monique Zmuda of the Controller's Office, the appropriation control for capital projects within the City's Financial Accounting Management Information System (FAMIS) is at the project level. If reserves are placed by the Board of Supervisors on funds for a sub-project within a project, it is the responsibility of the Department to monitor expense at the sub-project level in order to assure that expenditures are not made against an appropriation that has been reserved. Mr. Legg reports that the DPW did not monitor this reserve, established in 1996, at the sub-project level, and therefore, as previously noted, the DPW has already expended the subject requested reserved funds of $2,467,228.

Recommendation: Approve the requested release of $2,467,228.

Fire Station 6
Project Budget

Expenses

Pre-Bid Expenses (to 8/1/99)			
DBI Permit	$ 10,126		
CH2M Hill Consultant	10,000		
Haz Mat Consultant	2,357		
DPW Design & PM Labor	109,430		
Subtotal Pre-Bid		$ 131,913	
Completed Construction Work			
Construction Contract	$ 412,500		
Alternates and Change Orders	237,943		
DPW PM and CM Services	113,981		
Haz Mat Abatement	16,060		
Subtotal Construction		$ 780,484	
Grand Total			$ 912,397
Request for Release of Reserves			
Station 6 Construction	300,100		
Total	$ 300,100		

Fire Station 13
Project Budget

Expenses

Pre-Bid Expenses (to 11/30/99)--Previously Released		
Emergency Repair Contract	$ 42,976	
Fuel Tank Contract	17,458	
Haz Mat Consultant	7,935	
DPW Design & PM Labor	214,631	
Subtotal Pre-Bid		$ 283,000
Completed Construction Work		
Construction Contract	$ 1,036,730	
Alternates and Change Orders	131,942	
DPW PM and CM Services	197,877	
Haz Mat Abatement	38,127	
DBI Permit	16,516	
Subtotal Construction		$ 1,421,192
Remaining Work		
Pending Change Order	$ 10,048	
DPW Mgmt & Project Close-out (*detail below*)	19,408	
Subtotal Outstanding Work		$ 29,456

DPW Services	*Rate*	*Hours*	*Total*
Project Manager	*138*	*60*	*8,280*
Architect	*119*	*12*	*1,428*
Assoc. Architect	*103*	*12*	*1,236*
Construction Manager	*113*	*32*	*3,616*
Field Inspector	*102*	*40*	*4,080*
Admin. Support	*64*	*12*	*768*
Subtotal DPW Services			*19,408*

Grand Total $ 1,733,648

Request for Release of Reserves

Station 13	$ 376,000
Station 29	458,387
Total	$ 834,387

Fire Station 32
Project Budget

Expenses

Pre-Bid Expenses (to 12/31/00)--Previously Released		
Duffey Co. Consultants	$ 11,543	
M. Lee Co Consultant	5,450	
Haz Mat Consultant	10,822	
City Planning Fees	242	
DBI Permit	11,138	
DPW Design & PM Labor	381,608	
Subtotal Pre-Bid		$ 420,803
Completed Construction Work		
Construction Contract	$ 1,168,725	
Alternates and Change Orders	168,574	
DPW PM and CM Services	160,451	
Haz Mat Abatement	15,000	
EPC Consultant	7,000	
BSM Encroachment Fee	200	
Don Todd, Consultant	17,536	
Printing/Reprographics	3,000	
Subtotal Construction		$ 1,540,486
Remaining Work		
DPW Mgmt & Project Close-out (*detail below*)	13,168	
Subtotal Outstanding Work		$ 13,168

DPW Services	*Rate*	*Hours*	*Total*
Project Manager	*138*	*40*	*5,520*
Construction Manager	*113*	*32*	*3,616*
Field Inspector	*102*	*32*	*3,264*
Admin. Support	*64*	*12*	*768*
Subtotal DPW Services			*13,168*

Grand Total $ 1,974,457

Request for Release of Reserves

Station 32	$ 270,000
Station 14	1,062,741
Total	$ 1,332,741

City and County of San Francisco

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Finance and Budget Division
Financial Management and Administration
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1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4645
Douglas Legg, Manager, Capital Finance

Memorandum

April 23, 2003

To: Salvador Sanchez
Board of Supervisor's Budget Analyst's Office

From: Douglas Legg

Re: 1992 Fire Bond Retroactive Release of Reserves – Response to your questions

Normally, when the Board of Supervisors has placed funds on reserve for contracts, DPW submits requests for release of reserves to the Board before contracts are awarded. DPW project managers maintain Financial Plans on all bond programs (Fire Bonds, Laguna Honda, Zoo, Branch Libraries, etc.), and all of these Financial Plans track reserves. In the case of Fire Stations 6, 13 and 32 the project manager (PM) believed that the Finance Committee had released the reserves. As there were unreserved funds available in the Fire bond program when we issued the construction contracts for these projects, we were able encumber funds. We have not been able to ascertain the exact reason that the PM believed the funds had been removed from reserves. The Department regrets this error, and the Director of Public Works has reprimanded the responsible PM. In addition, the Director has met with the Deputy Directors, Bureau Heads and the Manager of Project Management to emphasize the Department's responsibility in verifying that reserves have been released before funds are encumbered or expended.

Although funds were encumbered and spent without reserves first being released by the Finance Committee, all of the conditions of the reserve were followed. Contracts were bid competitively following all City ordinances, rules and regulations. The Human Rights Commission verified the MBE/WBE status of all bidders as directed by the Finance Committee. In addition, while this action was inappropriate, this is the first instance of reserved funds being spent by DPW without release by the Board of Supervisors.

Project Managers are responsible for delivering quality projects, being accountable, controlling budgets, schedules and contractors, responding to customer needs and operating within a framework of laws and regulations. On bond programs, project managers utilize financial plans to track individual project budgets, revenue sources, appropriations and reserves, and actual expenditures and encumbrances. These financial plans are generally kept in spreadsheet format, are distributed to management at both DPW and the client department, and are made available to

other public agencies and the public. Financial plans are generally updated monthly or quarterly, depending upon the level of project activity.

Item 4 - File 03-0619

Department: Airport

Item: Motion for hearing regarding release of $3.7 million held in reserve of the Airfield Development Bureau budget allocation for Fiscal Year 2002-2003.

Description: Although the Airport is now fully cooperating in providing necessary information to the Budget Analyst, the Budget Analyst received the last piece of requested financial information from the Airport concerning this item on the evening of April 23, 2003, one day prior to the issuance our weekly report to the Finance and Audits Committee. Due to the large number of complex items that required reports for this Finance and Audits Committee agenda, including the City's 2003-2004 Community Development Program, the Budget Analyst was unable to finalize a report on this requested release of reserved funds.

Recommendation: Continue the proposed motion one week to permit a final report from the Budget Analyst.

Item 5 - File 03-0639

Department: Mayor's Office of Community Development (MOCD)
Mayor's Office of Housing (MOH)

Item: Resolution (a) approving the FY 2003-2004 Community Development Program; and authorizing the Mayor, on behalf of the City and County of San Francisco, to accept and expend the City's FY 2003-2004 Community Development Block Grant (CDBG) entitlement from the U.S. Department of Housing and Urban Development, and Program Income of up to $34,246,928 which include indirect costs of $150,000, and (b) approving expenditure schedules for recipient departments and agencies and for indirect costs.

Amount: Up to $34,246,928. The proposed resolution should be amended to reflect the actual FY 2003-2004 CDBG and Program Income of up to $34,246,928, instead of $33,542,928.

Source of Funds: U.S. Department of Housing and Urban Development (HUD)

Grant Period: July 1, 2003 through June 30, 2004

Required Match: None

Indirect Costs: $150,000

Budget: A summary of the sources and uses of proposed FY 2003-2004 Community Development Block Grant funds is as follows:

Sources of Funds		
FY 2003-2004 CDBG	$27,068,305	
Program Income	7,178,623	
Total		$34,246,928
Uses of Funds		
Housing Program Administration	$2,516,084	
Housing Construction Pool	5,332,977	
Public Housing	150,000	
Public Space Improvement	1,709,700	
Existing Facility Renovation	1,302,170	

Capital New Facility	896,000	
Public Services Program	4,825,650	
Economic Development	1,079,000	
Microenterprise Assistance	867,000	
Institution of Higher Education	75,000	
Planning and Capacity Building	750,425	
Capital Pools	2,990,922	
Program Administration	4,573,377	
Subtotal		$27,068,305
Program Income Activities		7,178,623
Total		$34,246,928

Description: Under Title I of the Federal Housing and Community Development Act of 1974, as amended, and related Federal regulations, San Francisco is eligible to receive a Community Development Block Grant (CDBG). The primary objective of the CDBG Program is to develop viable urban communities by supporting programs which provide decent housing, a suitable living environment, and economic opportunity for low and moderate income residents of San Francisco.

Approval of the proposed resolution would (a) authorize MOCD to accept and expend the FY 2003-2004 CDBG up to $27,068,305, including reprogrammed funds, which is $865,085 or 3.3 percent more than the FY 2002-2003 CDBG of $26,203,220, and (b) approve expenditures of up to $7,178,623 in Program Income funds. Total FY 2003-2004 CDBG and Program Income funding is up to $34,246,928.

Attachment I, prepared by the Budget Analyst, contains a summary of the FY 2003-2004 CDBG allocations, as recommended by MOCD, and contains the Budget Analyst's recommendations.

Summary of CDBG Programs:

The Budget Analyst conducted a summary review of the recommended CDBG programs[1] and a detailed review of the proposed MOCD and MOH administrative expenditures. The CDBG funds various non-profit organizations and programs, as described in Attachment II, provided by MOCD. MOCD issued Requests for Proposals for CDBG funding on December 18, 2002, with a proposal submission deadline of January 22, 2003. MOCD program staff reviewed the submitted proposals and made recommendations to the Citizens' Committee on Community Development, which conducted a public hearing on March 24, 2003, to receive public comment on the "2003 Preliminary Recommendations".

Housing Program Administration (page 1 of Attachment I and page 1 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$2,516,084	$2,516,084	$0	0%

The CDBG Housing Program Administration funds administrative costs associated with the construction or management of low and moderate income housing units. In 2003-2004, non-profit organizations receiving funding through Housing Program Administration provide services, including (a) technical assistance related to the development of low and moderate income housing, (b) securing development sites and financing for housing projects, (c) conducting planning services for residential hotels, (d) asset management for existing housing properties, and (e) assisting low-income homeowners in obtaining loans to rehabilitate their properties.

[1] The Budget Analyst reviewed the MOCD staff recommendations and Citizens' Committee on Community Development actions for each of the non-profit agencies requesting FY 2003-2004 CDBG funding.

Housing Program Pools (page 1 of Attachment I and page 2 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$5,332,977	$5,332,977	$0	0%

Total FY 2003-2004 Housing Development Pool funds, which are part of the Housing Program Pools, of $8,122,937 include the FY 2003-2004 CDBG allocation of $5,332,977, unallocated prior years' CDBG funds of $1,500,000, plus $1,289,960 in Program Income, as noted below. MOH uses Housing Development Pool funds to purchase and rehabilitate properties for low-income housing. Total Housing Development Pool funding in FY 2003-2004 is included in the following table.

Sources of Funds		
Current and prior years' unallocated CDBG Pool funds	$1,500,000	
Estimated FY 2002-2003 Program Income	1,289,960	
FY 2003-2004 CDBG funds	5,332,977	
Total		$8,122,937
Uses of Funds		
Existing commitments		
Ambassador Hotel supportive housing	$1,000,000	
Glide Pavilion senior housing	793,000	
Bethany Center renovation	1,000,000	
Sierra Madre Apartments renovation	380,000	
403 Monterey Avenue renovation	65,000	
Consorcia Apartments renovation	120,000	
Klimm Apartments renovation	358,000	
Mission Hotel renovation	178,000	
Subtotal, existing commitments		$3,894,000
New projects in FY 2003-2004		
Single family rehabilitation projects (including $770,000 for single family rehabilitation loans)	2,770,000	
Residential care facility rehabilitation projects	250,000	
Citywide housing opportunities	1,208,937	
Subtotal, new projects		4,228,937
Total		$8,122,937

Public Housing Program (page 1 of Attachment I and page 2 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$200,000	$150,000	($50,000)	(25%)

In FY 2003-2004, MOCD proposes to allocate $150,000 to the San Francisco Housing Authority to convert a four bedroom house located at 992 Ellsworth Street into a community center for Computer Learning Programs.

Public Facility Improvements (page 1 of Attachment I and page 2 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$1,741,414	$1,709,700	($31,714)	(1.8%)

CDBG funds allocated for Public Facility Improvements are used for physical improvements to publicly accessible open spaces. Attachment II lists the FY 2003-2004 Public Facility Improvements projects. MOCD has included $250,000 in Public Space Improvement Pool monies to fund unanticipated increased costs for outdoor and open space projects, which is $68,254, or 21.4 percent less than the FY 2002-2003 Public Space Improvement Pool funding of $318,254.

Existing Facilities Rehabilitation (page 1 of Attachment I and page 3 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$1,768,745	$1,302,170	($466,575)	(26.4%)

Existing Facilities Rehabilitation funds are used to rehabilitate facilities serving low and moderate income communities and primarily to meet health, fire and safety codes, and licensing requirements. Existing Facilities Rehabilitation funds are used for capital improvement projects and do not fund staff or administrative costs.

New Facilities Development (pages 2-3 of Attachment I and pages 4-5 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$537,000	$896,000	$359,000	66.9%

New Facilities Development funds are allocated to projects, in which the non-profit organization is purchasing or building new space, expanding into larger space, or renovating space for new programs not previously available from that agency. In FY 2003-2004, MOCD is proposing to fund five projects, as described on pages 4 and 5 of Attachment II, to (a) construct child care and adult day care facilities, (b) renovate senior center space, (c) install accessible bathrooms, and (d) perform other structural renovations.

Other Capital Program Pools (page 3 of Attachment I and page 5 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$1,718,645	$2,990,922	($1,272,277)	(74%)

Other Capital Program Pool monies fund existing and new facility construction and renovation projects that encounter unforeseen building code or construction problems during the construction or renovation of the facility. Other Capital Program Pool monies are also used to cover certain predevelopment expenses associated with the development of a new facility. In FY 2003-2004, MOCD is consolidating two existing capital pools, the Disability Access Upgrade Program Pool and the Facility Emergency Relief Pool into one Capital Pool of $1,500,000.

MOCD is creating two new Pools, the Bayview Hunters Point Multipurpose Center Pool and the City Emergency Relief Pool. MOCD proposes funding of $490,922 for the Bayview Hunters Point Multipurpose Center Pool to pay for needed capital improvements to Bayview Hunters Point neighborhood facilities.

MOCD proposes $1,000,000 for the City Emergency Relief Pool. According to Mr. Sanders, $912,000 would be used to make payments toward the Section 108 Childcare Loan, which would otherwise by paid by General Fund monies in the Department of Human Services (DHS) budget[2]. Mr. Sanders advises that HUD provides low-interest Section 108 loan funds for capital improvement projects for day care centers and that these loans are partially repaid with DHS General Fund monies. By using $912,000 in City Emergency Relief Pool monies to make loan payments, rather than DHS General Fund monies, the DHS General Fund expenditures are reduced by $912,000.

Mr. Sanders states that MOCD has not yet specified the use of the remaining $88,000 ($1,000,000 less $912,000) of City Emergency Relief Pool monies. Therefore, the Budget Analyst recommends reserving $88,000 in City Emergency Relief Pool monies, pending submission of a budget proposal to the Board of Supervisors for approval.

Public Services Program (pages 3-5 of Attachment I and pages 5-10 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$4,840,000	$4,825,650	($14,350)	(0.3%)

In FY 2003-2004, MOCD proposes to allocate $4,825,650 to fund 82 organizations, providing services to low-income communities. According to Mr. Roger Sanders of MOCD, in FY 2003-2004, MOCD established program priorities for foster care programs, programs serving young adults between the ages of 18 and 24, and programs serving San Franciscans with language barriers. Mr. Sanders reports that MOCD also gave priority for funding to programs in Supervisorial Districts that have received less CDBG funding for programs in prior years, including Supervisorial District 1 (the Richmond) and Supervisorial

[2] DHS General Fund monies pay a portion of the Section 108 Childcare Loan payments and non-profit day care operators pay the balance.

District 11 (the Excelsior, the Outer Mission, and the Ingleside).

78 of the 82 organizations proposed for funding in FY 2003-2004 were previously funded in FY 2002-2003. MOCD is recommending $136,000 in funding for the following four new programs in FY 2003-2004:

(a) $25,000 for the Chinese Newcomers Service Center to provide bilingual job preparation, information, placement, and retention services for immigrants in the Richmond District.
(b) $40,000 for the Gum Moon Residence Hall to provide temporary shelter and support services to low-income Asian immigrant women who are victims of domestic violence.
(c) $36,000 to the Larkin Street Youth Center to provide case management services to youth in foster care.
(d) $35,000 to the Portola Family Connections to provide case management services to resolve family problems and improve family functioning in the Outer Mission and Ingleside Districts.

Economic Development (page 5 of Attachment I and pages 10-11 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$1,020,500	$1,079,000	$58,500	5.7%

MOCD provides Economic Development funds to organizations whose purpose is to create employment and entrepreneurial opportunities for low-income neighborhood residents, and to revitalize low-income neighborhoods. In FY 2003-2004, MOCD is proposing to fund 11 non-profit organizations which previously received funding in FY 2002-2003.

Microenterprise Assistance (pages 5-6 of Attachment I and page 11 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$925,500	$867,000	($58,500)	(6.3%)

MOCD allocates Microenterprise Assistance monies to non-profit organizations, which assist individuals in starting and maintaining very small business enterprises. In FY 2003-2004, MOCD is funding the same programs which were funded in FY 2002-2003, except for a decrease of $58,500 in funding to CAHEED, which did not submit a FY 2003-2004 proposal.

Institution of Higher Education (page 6 of Attachment I and page 11 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$75,000	$75,000	$0	0%

In FY 2003-2004 MOCD is proposing to provide $75,000 to the City College of San Francisco Small Business Development Center to provide technical assistance, one-on-one business counseling, loan packaging services and post-loan technical assistance to small businesses, which is unchanged from FY 2002-2003.

Administration (pages 7 and 8 of Attachment I and page 12 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$4,786,092	$4,573,377	($212,715)	4.4%

In FY 2003-2004, the proposed Administration budget for MOCD and MOH includes (a) 3 percent Cost of Living Adjustment (COLA) for salaries and (b) fringe benefit costs equal to 22 percent of salaries. Attachment I provides a summary of the Budget Analyst's recommended total salary and fringe benefit reductions of $531,850. These administrative reductions in MOH and MOCD salaries and fringe benefits have been allocated by program, as shown in Attachment I.

The Budget Analyst recommends reducing salaries and fringe benefits by $531,850, to reflect (a) the actual COLA of one percent, effective June 30, 2003, included in the Memoranda of Understanding (MOU) between the City

and the employee organizations, and (b) fringe benefit costs of approximately $4,469 per position for medical and dental benefits plus 7.65 percent of salary for Medicare and Social Security[3]. This recommendation assumes that the pending FY 2003-2004 Memorandum of Understanding (MOUs) with various employee organizations are approved.

The Budget Analyst recommends that (a) $479,262 of the $531,850 be placed on reserve for reprogramming, subject to release by the Finance and Audits Committee, and (b) $52,588 of the $531,850 in MOH and MOCD administrative salary and fringe benefit expenditures, which were allocated to Program Income Activities, be reallocated for the MOCD 108 Economic Development Loan Program loans ($38,031) and the MOH Community Housing Revolving Loan Program loans ($14,557), pursuant to HUD requirements. Mr. Sanders explains that (a) if the pending MOUs are not approved as anticipated, funds placed on reserve may be needed to fund additional salary and fringe benefit expenses and (b) Federal HUD regulations require that the amount of $52,588 in anticipated Program Income must be allocated to Program Income activities.

<u>Planning and Capacity Building (pages 7-8 of Attachment I and pages 12-13 of Attachment II)</u>

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$776,263	$750,425	($25,838)	(3.3%)

MOCD provides funding for planning and capacity building on a one-time basis to (a) assist with organizational development, such as board and staff training, and strategic planning, and (b) assist in the development of evaluations, feasibility studies and plans for projects. The Planning and Capacity Building budget includes $336,000 for MOH and MOCD Planning and Capacity Pools, which is $82,982 less than funds for such Pools in FY 2002-2003. These Pool monies provide

[3] Medicare costs equal 1.45 percent of salary and Social Security costs equal 6.2 percent of salary up to $87,000.

community organizations with funds for planning and capacity building, and for technical assistance through a proposal submission and review process during the FY 2003-2004 program year.

Program Income Activities (page 8 of Attachment I and page 14 of Attachment II)

FY 2002-2003	FY 2003-2004	Increase/ (Decrease)	Percent
$7,484,011	$7,178,625	($305,388)	(4.0%)

MOCD, MOH, and the San Francisco Redevelopment Agency (SFRA) receive Program Income through payment of rents to SFRA or sale of properties which were originally purchased with CDBG funds and through various loan programs, funded by HUD and provided by MOCD. Federal HUD regulations require that anticipated income from these programs be allocated through the submission of the FY 2003-2004 application for CDBG funds.

MOCD provides several types of loans from Program Income funds, including:

(a) The HUD Section 108 Daycare Loan provides loans specified for childcare facilities.
(b) The HUD Section 108 Economic Development Loan provides loans of $100,000 or more to businesses that are found by MOCD to be consistent with the Program's economic development initiatives.
(c) The MOCD Microenterprise Loan Program provides loans up to $10,000 to support microenterprises and self employment enterprises.
(d) The MOCD Small Business Loan Program provides loans of up to $100,000 to existing small businesses.
(e) The MOH Community Housing Revolving Loan Program provides financial and technical assistance to eligible low-income home owners.

The San Francisco Redevelopment Agency (SFRA) receives CDBG Program Income monies from the sale or lease revenues of SFRA properties originally purchased with CDBG funds. In FY 2003-2004, CDBG Program

Income monies will fund SFRA program costs (see page 8 of Attachment I), including emergency housing, Transbay survey and planning activities, and job training programs.

Comments:

1. According to Mr. Sanders, MOCD has an unexpended balance of $5,703,554 for uncompleted capital projects, dating back to 1997. Attachment III, provided by Mr. Sanders, lists the uncompleted capital projects and the outstanding balance. As noted in Attachment III, unexpended funds are allocated to specific active capital projects, and according to Mr. Sanders, all unexpended funds will be used for these projects.

2. In summary, and as shown on page 8 of Attachment I, the Budget Analyst recommends that the Board of Supervisors:

(a) Reduce MOH and MOCD Administration salary and fringe benefit expenditures by $531,850 to reflect projected expenditures in FY 2003-2004 (see Administration Section above).

(b) Place $479,262 of the recommended $531,850 reduction on reserve for reprogramming, subject to release by the Finance and Audits Committee.

(c) Reallocate $52,588 of the $531,580, which is currently allocated to MOH and MOCD salaries and fringe benefits as follows: (i) $38,031 to MOCD Section 108 Economic Development Loan Program loan funds, and (ii) $14,557 to MOH Community Housing Revolving Loan Program loans, in accordance with HUD requirements (see Administration Section above).

(d) Reserve $88,000 in Capital Program Pool funds, which have been allocated to the City Emergency Relief Pool, pending submission of a budget proposal. Therefore, total recommended reserved funds equal $567,262 ($479,262 noted above plus $88,000) (see Capital Program Pools Section above).

(e) Approve $28,248,887 in CDBG funds for ongoing program.

3. Approval of $5,378,191 for new programs or increased funding for existing programs is a policy matter for the Board of Supervisors.

Recommendations:

1. Amend the proposed resolution to reflect the actual FY 2003-2004 CDBG and Program Income funding of up to $34,246,928, instead of $33,542,928.

2. Amend the proposed resolution to reserve $88,000 in Capital Program Pool funds, which have been allocated to the City Emergency Relief Pool, pending submission of a budget proposal to the Finance and Audits Committee, as noted in Comment 2.

3. Amend the proposed resolution to:

(a) Reduce $531,850 in MOH and MOCD Administration salary and fringe benefit expenditures (see Administration Section and Comment 2);

(b) Place $479,262 of the recommended $531,850 reduction on reserve for reprogramming, subject to release by the Finance and Audits Committee, (see Administration Section and Comment 2), resulting in total reserved funds of $567,262 ($479,262 plus $88,000); and

(c) Reallocate $52,588 of the $531,580, which is currently allocated to MOH and MOCD salaries and fringe benefits as follows: (i) $38,031 to MOCD Section 108 Economic Development Loan Program loan funds, and (ii) $14,557 to MOH Community Housing Revolving Loan Program loans, in accordance with HUD requirements, as noted in the Administration Section and Comment 2 above.

4. Approval of $5,378,191 for new programs or increased funding for existing programs, is a policy matter for the Board of Supervisors, as noted in Comment 2 above.

5. Approve $28,248,887 for ongoing programs, as noted in Comment 2 above.

6. Mr. Roger Sanders of the MOCD advises that the MOCD is in agreement with the Budget Analyst's recommendations.

Mayors Office of Community Development and Mayor's Office of Housing
Community Development Block Grant Expenditures

Agency	FY 2002-2003 CDBG Budget	Proposed FY 2003-2004 CDBG Budget	Increase/ (Decrease)	Budget Analyst's Proposed Reductions	Budget Analyst's Proposed Reserves	Amount to be Funded	Policy Matter
Housing Program Administration							
Asian Neighborhood Design	$269,000	$269,000				$269,000	
ASIAN, Inc.	211,180	211,180				211,180	
Bernal Heights Neighborhood Center	248,800	248,800				248,800	
Chinatown Community Development Center	381,761	381,761				381,761	
Community Design Center	155,437	155,437				155,437	
Community Housing Partnership	96,085	96,085				96,085	
GP/TODCO, Inc.	210,000	210,000				210,000	
Housing Conservation & Development Corporation	270,821	270,821				270,821	
Mission Economic Development Association	25,000	[illegible]0,000				25,000	
Mission Housing Development Corporation	360,000	360,000				360,000	
Tenderloin Neighborhood Development Corporation	288,000	25[illegible],000				288,000	
Subtotal	**$2,516,084**	**$2,516,084**				**$2,516,084**	
Housing Program Pools							
Housing Development Pool	$5,332,977	$5,332,977		$81,929		$5,251,048	
Subtotal	**$5,332,977**	**$5,332,977**		**$81,929**		**$5,251,048**	
Public Housing							
SF Housing Authority	$200,000	$150,000	($50,000)			$150,000	
Subtotal	**$200,000**	**$150,000**	**($50,000)**			**$150,000**	
Public Facility Improvements							
San Francisco Conservation Corps	$1,194,000	$1,213,400	$19,400			$1,194,000	$19,400
SF League of Urban Gardeners	229,160	202,000	(27,160)			202,000	
Southwest Community Corporation		[illegible]0,[illegible]00	30,000				30,000
YMCA Buchanan		14,300	14,300				14,300
Public Space Improvement Pool	318,254	250,000	(68,254)	10,304		239,696	
Subtotal	**$1,741,414**	**$1,709,700**	**($31,714)**	**$10,304**		**$1,635,696**	**$63,700**
Existing Facilities Rehabilitation							
Arriba Juntos		$53,000	$53,000				$53,000
Centro City Hospitality House		50,000	50,000				50,000
Conard House		57,000	57,000				57,000
Golden Gate Community, Inc.		80,000	80,000				80,000
Haight Ashbury Food Program		56,450	56,450				56,450
Haight Ashbury Free Clinics		30,000	30,000				30,000
Haight Ashbury Free Clinics		30,000	30,000				30,000
Haight Ashbury Free Clinics		17,000	17,000				17,000
Henry Ohlhoff House		122,500	122,500				122,500
Hunters Point Boys' & Girls' Club		125,320	125,320				125,320
Mission Area Health Associates	134,500	135,000	500			134,500	500

Agency	FY 2002-2003 CDBG Budget	Proposed FY 2003-2004 CDBG Budget	Increase/ (Decrease)	Budget Analyst's Proposed Reductions	Budget Analyst's Proposed Reserves	Amount to be Funded	Policy Matter
Mission Childcare Consortium		20,000	20,000				20,000
Mission Neighborhood Centers	94,420	41,000	(53,420)			41,000	
Mission Neighborhood Centers	20,000	16,500	(3,500)			16,500	
Nihonmachi Little Friends		85,000	85,000				85,000
On Lok		76,900	76,900				76,900
Recreation Center for the Handicapped		70,000	70,000				70,000
Southwest Community Corporation	19,250	28,000	8,750			19,250	8,750
Telegraph Hill Neighborhood Center		20,000	20,000				20,000
Walden House (TI)		88,500	88,500				88,500
Walden House (890	100,000	100,000				100,000	
509 Cultural Center	60,000		(60,000)				
Bernal Heights Neighborhood Center	37,000		(37,000)				
Ella Hill Hutch Community Center	130,000		(130,000)				
Legal Services for Children	93,000		(93,000)				
YMCA (Bayview)	150,000		(150,000)				
Booker T. Washington Com Service Center	18,000		(18,000)				
Boys & Girls Club of SF (Mission)	9,475		(9,475)				
Community Awareness & Treatment Services	100,000		(100,000)				
Florence Crittenton Services	66,500		(66,500)				
Instituto Familiar de la Raza	110,000		(110,000)				
Japanese Community Youth Council	140,000		(140,000)				
Metropolitan Community Foundation	25,000		(25,000)				
Mission Language and Vocational School, Inc.	100,000		(100,000)				
Mission Neighborhood Centers	25,000		(25,000)				
Playmates Cooperative Nursery School	30,000		(30,000)				
Potrero Hill Neighborhood House	53,600		(53,600)				
Swords to Plowshares	140,000		(140,000)				
Tenderloin AIDS Resource Center	63,000		(63,000)				
YMCA (Mission)	50,000		(50,000)				
Subtotal	**$1,768,745**	**$1,302,170**	**($466,575)**			**$311,250**	**$990,920**
New Facilities Development							
Filipino-American Development Foundation		$150,000	$150,000				$150,000
Kai Ming Headstart		120,000	120,000				120,000
Mission Childcare Consortium		250,000	250,000				250,000
Mission Neighborhood Centers		80,000	80,000				80,000
Power Up! Economic Development Corporation		96,000	96,000				96,000
Self-Help for the Elderly		200,000	200,000				200,000
Arriba Juntos	125,000		(125,000)				
La Raza Centro Legal	30,000		(30,000)				
Nihonmachi Legal Outreach	55,000		(55,000)				

Mayors Office of Community Development and Mayor's Office of Housing
Community Development Block Grant Expenditures

Agency	FY 2002-2003 CDBG Budget	Proposed FY 2003-2004 CDBG Budget	Increase/ (Decrease)	Budget Analyst's Proposed Reductions	Budget Analyst's Proposed Reserves	Amount to be Funded	Policy Matter
Burt Children's Center	30,000		(30,000)				
Chinatown Community Development Center	100,000		(100,000)				
North of Market Senior Services	75,000		(75,000)				
San Francisco Conservation Corps	97,000		(97,000)				
South of Market Foundation	25,000		(25,000)				
Subtotal	**$537,000**	**$896,000**	**$359,000**				**$896,000**
Other Capital Program Pools							
Disability Access Upgrade Program Pool	$400,000		($400,000)				
Facility Emergency Relief Pool	1,318,645		(1,318,645)				
BHP Multipurpose Center		490,922	490,922				490,922
Capital Pools		1,500,000	1,500,000	49,368		1,450,632	
City Emergency Relief		1,000,000	1,000,000		88,000	912,000	
Subtotal	**$1,718,645**	**$2,990,922**	**$1,272,277**	**$49,368**	**$88,000**	**$2,362,632**	**$490,922**
Public Services							
African Immigrant and Refugee Resource Center	$67,000	$67,000				$67,000	
AIDS Legal Referral Panel	39,500	39,500				39,500	
Arab Cultural Center	60,000	50,000	(10,000)			50,000	
Ark of Refuge	70,000	70,000				70,000	
Asian Law Caucus, Inc.	55,500	55,500				55,500	
Asian Pacific American Community Center	50,000	60,000	10,000			50,000	10,000
Asian Women's Shelter	31,500	31,500				31,500	
BASF/Volunteer Legal Services	30,000	30,000				30,000	
Bay Area Legal Aid	42,000	42,000				42,000	
Bay Area Video Coalition	125,000	125,000				125,000	
Network For Elders (BHP)	43,000	43,000				43,000	
Booker T. Washington Community Service Center	61,000	61,000				61,000	
BRAVA! for Women in the Arts	47,000	47,000				47,000	
Career Resources Development Center	90,000	90,000				90,000	
Catholic Youth Organization/Mission Day Care	61,500	61,500				61,500	
Central American Resource Center (CARECEN)	40,000	40,000				40,000	
Central City Hospitality House	48,500	31,650	(16,850)			31,650	
Charity Cultural Services Center	100,000	100,000				100,000	
Chinatown Community Development Center	40,000	50,000	10,000			40,000	10,000
Chinese for Affirmative Action	100,000	100,000				100,000	
Chinese Newcomers Service Center	71,000	71,000				71,000	
Community Alliance for Special Education (CASE)	25,000	25,000				25,000	
Community United Against Violence	27,000	27,000				27,000	
Community Youth Center (Chinatown YC)	38,000	73,000	35,000			38,000	35,000
Community Youth Center SF (CYC)	35,000	0	(35,000)			0	
Compass Community Services	37,000	37,000				37,000	

Agency	FY 2002-2003 CDBG Budget	Proposed FY 2003-2004 CDBG Budget	Increase/ (Decrease)	Budget Analyst's Proposed Reductions	Budget Analyst's Proposed Reserves	Amount to be Funded	Policy Matter
Donaldina Cameron House	35,000	35,000				35,000	
Ella Hill Hutch Community Center	125,000	125,000				125,000	
Episcopal Community Services of SF	30,000	30,000				30,000	
Filipino-American Council of SF	50,000	50,000				50,000	
Glide Foundation	56,000	56,000				56,000	
Haight Ashbury Food Program	25,000	25,000				25,000	
HAPPY (Haight Ashbury Play Program for Youth)	35,000	35,000				35,000	
Hearing Society for the Bay Area, Inc.	22,000	45,000	23,000			22,000	23,000
Hunters Point Boys & Girls Club	20,000	20,000				20,000	
Hunters Point Community Youth Park Foundation	152,000	125,000	(27,000)			125,000	
Independent Living Resource Center of SF	60,000	60,000				60,000	
Ingleside Community Center	70,500	70,500				70,500	
Instituto Laboral de la Raza	68,000	68,000				68,000	
Jewish Vocational Services	60,000	60,000				60,000	
John W. King Senior Center	125,000	125,000				125,000	
La Casa de las Madres	52,000	52,000				52,000	
La Raza Centro Legal	125,000	125,000				125,000	
Larkin Street Youth Center	25,000	25,000				25,000	
Lavender Youth Recreation and Information Center (LYRIC)	30,000	30,000				30,000	
Lavender Youth Recreation and Information Center (LYRIC)	40,000	40,000				40,000	
Legal Assistance to the Elderly	30,000	30,000				30,000	
Lyon-Martin Women's Health Services	77,500	77,500				77,500	
Milestones Human Services, Inc.	44,500	44,500				44,500	
Mission Education Projects, Inc.	50,000	50,000				50,000	
Mission Hiring Hall, Inc.	119,000	119,000				119,000	
Mission Language and Vocational School, Inc.	165,000	125,000	(40,000)			125,000	
Mission Learning Center (Reading Clinic)	106,500	106,500				106,500	
Mission Neighborhood Centers	40,000	40,000				40,000	
New Leaf Services	55,000	55,000				55,000	
Nihonmachi Legal Outreach	93,000	93,000				93,000	
Northern California Service League	68,000	68,000				68,000	
OpNet Community Ventures	50,000	50,000				50,000	
Positive Resource Center	30,000	30,000				30,000	
Renaissance Parents of Success	125,000	125,000				125,000	
Samoan Community Development Center, Inc.	60,000	60,000				60,000	
Self-Help for the Elderly	50,500	50,500				50,500	
Self-Help for the Elderly	30,000	30,000				30,000	
SF Child Abuse Prevention Center	32,500	32,500				32,500	
Southwest Community Center	50,000	50,000				50,000	
St. John's Educational Thresholds Center	25,500	25,500				25,500	
St. Vincent de Paul Society of SF	45,000	45,000				45,000	
Sunset District CDC (Sunset Youth Services)	42,000	55,000	13,000			42,000	13,000

Mayors Office of Community Development and Mayor's Office of Housing
Community Development Block Grant Expenditures

Agency	FY 2002-2003 CDBG Budget	Proposed FY 2003-2004 CDBG Budget	Increase/ (Decrease)	Budget Analyst's Proposed Reductions	Budget Analyst's Proposed Reserves	Amount to be Funded	Policy Matter
Swords to Plowshares	40,000	40,000				40,000	
Tenderloin Housing Clinic, Inc.	87,500	87,500				87,500	
Tides Center/St. Peter's Housing Committee	32,000	47,000				32,000	
Tides Center/The Housing Rights Committee	57,000	5[illegible],000				57,000	
Toolworks	47,000	47,000				47,000	
Vietnamese Community Center	50,000	50,000				50,000	
Vietnamese Elderly Mutual Asst Assn	35,000	35,000				35,000	
Visitacion Valley JET	100,000	100,000				100,000	
West Bay Pilipino Multi-Service Corp.	50,000	60,000	10,000			50,000	10,000
Whitney Young Child Development Center	77,500	40,000	(37,500)			40,000	
Women's Foundation, Mujeres Unidas Y Activas	50,000	50,000				50,000	
Young Community Developers	100,000	100,000				100,000	
Chinese Newcomers Service Center		25,000	25,000				25,000
Gum Moon Residence Hall		40,000	40,000				40,000
Larkin Street Youth Center		36,000	36,000				36,000
Portola Family Connections		5[illegible],[illegible]00	35,000				35,000
Korean Center, Inc.	50,000		(50,000)				
Veterans Equity Center	35,000		(35,000)				
Subtotal	**$4,840,000**	**$4,825,650**	**($14,350)**			**$4,588,650**	**$237,000**
Economic Development							
Arriba Juntos	$30,000	$38,000	$8,000			$30,000	$8,000
CVE, Inc.	41,500	41,500				41,500	
Juma Ventures	40,000	55,000	15,000			40,000	15,000
Mission Economic Development Association	267,000	267,000				267,000	
Mission Economic Development Association	80,000	1[illegible]0,000	70,000			80,000	70,000
MOCD Economic Development Pool	67,000	92,500	25,500			67,000	25,500
Northeast Community Federal Credit Union	120,000	1[illegible]0,000				120,000	
Northeast Community Federal Credit Union	75,000	75,000				75,000	
Private Industry Council of San Francisco, Inc.	70,000	2[illegible],000				70,000	
South of Market Foundation	50,000	50,000				50,000	
Southeast Asian Community Center	120,000	120,000				120,000	
Boys & Girls Club of SF (Columbia Park)	30,000		(30,000)				
Juma Ventures	30,000		(30,000)				
Subtotal	**$1,020,500**	**$1,079,000**	**$58,500**			**$960,500**	**$118,500**
Microenterprise Assistance							
Children's Council of SF	$30,000	$30,000				$30,000	
Positive Resource Center	85,000	5[illegible],000				85,000	
Renaissance Entrepreneurship Center	228,500	228,500				228,500	
Renaissance Entrepreneurship Center	208,000	208,000				208,000	
Southeast Asian Community Center	106,500	106,500				106,500	

Agency	FY 2002-2003 CDBG Budget	Proposed FY 2003-2004 CDBG Budget	Increase/ (Decrease)	Budget Analyst's Proposed Reductions	Budget Analyst's Proposed Reserves	Amount to be Funded	Policy Matter
Women's Initiative for Self Employment	125,000	125,000				125,000	
Wu Yee Children's Services	84,000	84,000				84,000	
CAHEED	58,500		(58,500)				
	$925,500	**$867,000**	**($58,500)**			**$867,000**	
Higher Education							
City College of SF Sm Bus Dvlpmt Ctr	$75,000	$75,000				$75,000	
	$75,000	**$75,000**				**$75,000**	

Mayors Office of Community Development and Mayor's Office of Housing
Community Development Block Grant Expenditures

Agency	FY 2002-2003 CDBG Budget	Proposed FY 2003-2004 CDBG Budget	Increase/ (Decrease)	Budget Analyst's Proposed Reductions	Budget Analyst's Proposed Reserves	Amount to be Funded	Policy Matter
Administration							
MOCD Admin	$2,573,071	$2,564,533	($8,538)	$186,382		$2,378,151	
MOCD Enterprise/Renewal Community Pgm	74,998	87,403	12,405	11,187		76,216	
MOCD Environmental Review	15,000	15,000				15,000	
MOCD Homeless	70,791	85,340	14,549	10,239		75,101	
MOCD Rent Relocation Board	12,588	13,153	565	1,999		11,154	
MOCD Day Labor	9,622		(9,622)				
Controller (Audit/Indirect Costs) MOCD	60,000	60,000				60,000	
SF Planning Department (MOCD)	7,500	7,500				7,500	
SF Human Rights Commission (MOCD)	46,500	114,235	67,735			46,500	67,735
SF City Attorney's Office (MOCD)	25,000	25,000				25,000	
MOD Disability Council	10,000	15,000				10,000	
MOH Admin	1,223,536	1,206,412	(17,124)	91,074		1,115,338	
MOH Multifamily Housing Revenue Bonds		173,066	173,066	23,189			149,877
MOH Affordable Housing Bonds	184,748		(184,748)				
MOH Environmental Review	5,000	5,000				5,000	
MOH Lead	208,563		(208,563)				
Controller (Audit/Indirect Costs) MOH	60,000	60,000				60,000	
SF City Attorney's Office (MOH)	25,000	25,000				25,000	
SF Human Rights Commission (MOH)	166,675	114,235	(52,440)			114,235	
SF Planning Department (MOH)	7,500	7,500				7,500	
Subtotal	**$4,786,092**	**$4,573,377**	**($212,715)**	**$324,070**		**$4,031,695**	**$217,612**
Planning & Capacity Building							
Chinese Newcomers Service Center		$15,000	$15,000				$15,000
Compasspoint Nonprofit Services	40,125	43,950	3,825			40,125	3,825
Geneva Valley Development Corporation		12,800	12,800				12,800
Jamestown Community Center		15,000	15,000				15,000
Korean Center		15,000	15,000				15,000
Life Frames, Inc.	15,000	15,000				15,000	
Mission Economic Development Corporation		15,000	10,000				10,000
Nihonmachi Legal Outreach		15,000	15,000				15,000
Uprising Community Federal Credit Union		8,000	7,000				7,000
Visitacion Valley Job, Education & Training		8,000	7,000				8,000
Women's Initiative for Self Employment		15,000	15,000				15,000
Young Community Developers		15,000	15,000				15,000
MOCD Planning & Capacity Building	308,983	226,000	(82,983)			226,000	
MOH Planning & Capacity Building	100,000	100,000				100,000	
MOCD Consolidated Planning	92,555	102,675	10,120	13,591		89,084	
Filipino-American Development Foundation	10,000		(10,000)				
North of Market Senior Services	15,000		(15,000)				
Volunteer Center of SF	29,600		(29,600)				

Agency	FY 2002-2003 CDBG Budget	Proposed FY 2003-2004 CDBG Budget	Increase/ (Decrease)	Budget Analyst's Proposed Reductions	Budget Analyst's Proposed Reserves	Amount to be Funded	Policy Matter
Chinese for Affirmative Action	12,500	10,000	(2,500)			10,000	
Chinese Newcomers Service Center	12,500	10,000	(2,500)			10,000	
Geneva Valley Development Corporation		20,000	20,000				20,000
Haight Ashbury Food Program	15,000	15,000				15,000	
Mission Neighborhood Centers	25,000	20,000	(5,000)			20,000	
Portola Family Connections	20,000	20,000				20,000	
Sunset District Community Development Center	20,000	20,000				20,000	
Telegraph Hill Neighborhood Center	25,000	20,000	(5,000)			20,000	
Bayview Hunters Point Network for Elders	15,000		(15,000)				
Potrero Hill Neighborhood House	20,000		(20,000)				
Subtotal	**$776,263**	**$750,425**	**($25,838)**	**$13,591**		**$585,209**	**$151,625**
Total CBDG	**$26,238,220**	**$27,068,305**	**$830,085**	**$479,262**	**$88,000**	**$23,334,764**	**$3,166,279**
Program Income Funded Activities							
MOCD 108 Childare Repayment	$1,006,336	$1,023,248	$16,912			$1,006,336	$16,912
MOCD 108 Econ Devlpmt Loan Repayment	3,211,675	1,194,375	(2,017,300)	38,031		1,156,344	
MOCD Microenterprise Loan Program	250,000	250,000				250,000	
MOCD Small Business Loan Program	750,000	750,000				750,000	
MOH CHRP Revolving Loan Program	2,000,000	1,500,000	(500,000)	14,557		1,485,443	
SFRA Central Relocation Services	266,000	1,008,000	742,000			266,000	742,000
SFRA Economic Development		103,000	103,000				103,000
SFRA General Program Admin		331,000	331,000				331,000
SFRA Job Training		315,000	315,000				315,000
SFRA Planning Transbay		704,000	704,000				704,000
Subtotal	**$7,484,011**	**$7,178,623**	**($305,388)**	**$52,588**		**$4,914,123**	**$2,211,912**
Total CDBG Program and Program Income	**$33,722,231**	**$34,246,928**	**$524,697**	**$531,850***	**$88,000**	**$28,248,887**	**$5,378,191**

*Includes $479,262 to be reserved in addition to the $88,000 recommended reserve above, resulting in a total reserve of $567,262.

Community Development Block Grant Program

Activity Name and Location	Program Description	2003 Budget

Housing Program Administration

CDBG Housing Program Administration. Administrative costs associated CBO construction or management of low-moderate income housing units.

Activity Name and Location	Program Description	2003 Budget
1 . Asian Neighborhood Design 1182 Market Street	Provide citywide technical assistance and community education related to the development and improvement of affordable housing serving low income households.	$269,000
2 . Asian, Inc. 1670 Pine Street	Through this funding request, Asian, Inc, will continue development of sites and secure acquisition and project financing for various projects.	$211,180
3 . Bernal Heights Neighborhood Center 515 Cortland Avenue	Increase low-income housing opportunities through new development and acqusition/rehab of rental development and single-family rehab loan assistance primarily in the Bernal Heights and Outer Mission communities.	$248,800
4 . Chinatown Community Development Center 1525 Grant Avenue	Increase low income housing opportunities through new development and acquistion/rehab of existing housing, primarily in Chinatown, Tenderloin, Polk Gulch, and Western Addition communities.	$381,761
5 . Community Design Center 1705 Ocean Avenue	Provide architectural planning and technical assistance to support primarily single family rehabilitaion efforts benefiting low income households.	$155,437
6 . Community Housing Partnership 1010 Market Street	Increase low income housing opportunities thorugh acquisition/rehabilitation of rental developments Citywide.	$96,805
7 . GP/TODCO, Inc. 230 Fourth Street	Increase low income housing opportunities through new development and acquisition/rehab of rental developments in the Sourth of Market area.	$210,000
8 . Housing Conservation & Development Corporation 301 Junipero Serra Blvd.	Remove neighborhood blight through the implementation of the CHRP/CERF below market interest rate rehab loan programs for low-income homeowners.	$270,821
9 . Mission Economic Development Association 3505 20th Street	Increase homeownership opportunities for low and moderate income households Citywide.	$25,000
10 . Mission Housing Development Corporation 474 Valencia Street	Increase housing opportunities for low-income people, primarily through development of new housing in the Mission and the Outer Mission districts.	$360,000
11 . Tenderloin Neighborhood Development Corporation 201 Eddy Street	Increase low income housing opportunities through new development and acquisition/rehab of rental development primarily in the Tenderloin and South of Market communities.	$288,000
	Subtotal:	**$2,516,804**

Community Development Block Grant Program

Activity Name and Location	*Program Description*	*2003 Budget*

Housing Program Pools

This program provides financial resources to carry out acquisition and rehabilitation of low income housing.

Activity Name and Location	Program Description	2003 Budget
1 . Housing Development Pool	Funding to carry out acquisition and rehabilitation of low income housing	$5,332,977
	Subtotal:	**$5,332,977**

Public Housing

This program provides funds for the rehabilitation of public housing facilities.

Activity Name and Location	Program Description	2003 Budget
1 . San Francisco Housing Authority 992 Ellsworth Street	Convert a four bedroom housing unit into a community center for Computer Learning programs.	$150,000
	Subtotal:	**$150,000**

Public Facility Improvements

This program funds physical improvements to publicly accessible open spaces.

Activity Name and Location	Program Description	2003 Budget
1 . Public Space Improvement Pool Various	Reserve balance to be used to cover unforeseen problems during construction.	$250,000
2 . San Francisco Conservation Corps 405 Baker Street	Burt Center, Inc. - Install a new play structure, safety matting and landscaping.	$94,000
3 . San Francisco Conservation Corps 2055 Sunnydale Avenue	SFUSD/John McLaren Child Development Center - Install a new play structure and safety matting.	$70,000
4 . San Francisco Conservation Corps 350 Broadway Street	SFUSD/John Yehall Chin Elementary - Install a new play structure and safety matting.	$80,000
5 . San Francisco Conservation Corps 400 Sargent Street	SFUSD/Jose Ortega Elementary - Install a new play structure, safety matting, benches, planter boxes and paint new game lines.	$98,000
6 . San Francisco Conservation Corps 625 Holly Park Circle	SFUSD/Junipero Serra Elementary - Install a new play structure and safety matting.	$76,000
7 . San Francisco Conservation Corps 350 Harbor Road	SFUSD/Malcolm X Academy - Replace existing play structure and matting with a new play structure and safety matting.	$88,000
8 . San Francisco Conservation Corps 1575 15th Street	SFUSD/Marshall Elementary - Install a new play structure and safety matting.	$65,000
9 . San Francisco Conservation Corps 2800 Taraval Street	Kai Ming, Inc. - Remove existing wooden fence and concrete wall to install a new play structure and safety matting.	$95,000
10 . San Francisco Conservation Corps 1830 Sutter Street	Nihonmachi Little Friends - Remove existing play structure and sand to install a new play structure and safety matting.	$100,000
11 . San Francisco Conservation Corps 1166 Howard Street	South of Market Child Care, Inc. - Install a new play structure and safety matting.	$90,000
12 . San Francisco Conservation Corps 491 31st Avenue	SFHA/491 31st Ave - Install tables, benches, planter boxes, barbecue grills and landscape to senior housing.	$25,000
13 . San Francisco Conservation Corps	SFHA/939 Eddy Street - Install tables, benches,	$24,800

Community Development Block Grant Program

Activity Name and Location	Program Description	2003 Budget
	senior housing.	
14 . San Francisco Conservation Corps 951 Eddy Street	SFHA/951 Eddy Street - Install tables, benches, planter boxes, barbecue grills and landscape to senior housing.	$24,500
15 . San Francisco Conservation Corps 990 Pacific Avenue	SFHA/990 Pacific Ave. - Install tables, benches, planter boxes, barbecue grills and landscape to senior housing.	$25,500
16 . San Francisco Conservation Corps 430 Turk Street	SFHA/430 Turk Street - Install tables, benches, planter boxes, barbecue grills and landscape to senior housing.	$24,600
17 . San Francisco Conservation Corps 1096 Oakdale Avenue	SFHA/Hunter's Point 'A' West - Install a new play structure and safety matting in a public housing family development.	$68,000
18 . San Francisco Conservation Corps 3070 23rd Street	S.F. Rec. & Park/Parque Ninos Unidos - Landscape the entire site with new trees and shrubs.	$45,000
19 . San Francisco Conservation Corps 1520 Oakdale Avenue	SFUSD/Burnett Child Development Center - Remove existing structure, tan bark and concrete barrier to install a new play structure with safety matting and also paint new game lines.	$120,000
20 . San Francisco League of Urban Gardeners (SLUG) Persia Avenue & Dublin Street	S.F. Rec. & Park/McLaren Park - Construct a demonstration garden and trail enhancement.	$80,000
21 . San Francisco League of Urban Gardeners (SLUG) Coronado Lane & Jamestown Avenue	DPW/Coronado & Jamestown - Construct a hillside park and seating areas.	$70,000
22 . San Francisco League of Urban Gardeners (SLUG) 195 Kiska Road	SFHA/195 Kiska Rd - Construct retaining walls, create green spaces, rehab stairway and install lighting.	$52,000
23 . Southwest Community Corporation 446 Randolph Street	Southwest Community Corporation - Install planter boxes, benches, paving, and landscape.	$30,000
24 . YMCA of San Francisco 1530 Buchanan Street	YMCA/Buchanan Branch - Remove existing play structure to install new play surface material, new access gate, wheelchair ramp and railing.	$14,300
	Subtotal:	$1,709,700

Existing Facilities Rehabilitation

This program provides funds to rehabilitate facilities serving low and moderate income communities.

1 . Arriba Juntos 1850 Mission Street	Expand women's restroom and replace HVAC roof units at an employment training center.	$53,000
2 . Central City Hospitality House 288 Turk Street	Replace flooring and upgrade kitchen at community drop in center.	$50,000
3 . Conard House, Inc. 2441 Jackson Street	Renovate residential mental health treatment facility.	$57,000
4 . Golden Gate Community, Inc. 3075 21st Street	Provide ADA accessible entrance, new heating system and restrooms in a wheelhouse to be converted to multi service youth development center.	$80,000
5 . Haight Ashbury Food Program 1525 Waller Street	Upgrade bathrooms and install new exit at a homeless meal site.	$56,450

Community Development Block Grant Program

Activity Name and Location	*Program Description*	*2003 Budget*
6 . Haight Ashbury Free Clinics 1692 Haight Street	Upgrade the fire sprinkler system at HAFC's drug treatment programs.	$17,000
7 . Haight Ashbury Free Clinics 529 Clayton Street	Upgrade fire sprinkler system at facility providing detoxification and other outpatient substance abuse treatment services.	$30,000
8 . Haight Ashbury Free Clinics 409 Clayton Street	Install new fire sprinkler system in HAFC's Prevention Services and Outreach program facility.	$30,000
9 . Henry Ohlhoff House 601 Steiner Street	Upgrade the existing 5-stop elevator cab in a building providing residential drug and alcohol recovery services.	$122,500
10 . Hunter's Point Boys and Girls Club 729 Kirkwood Avenue	Upgrade bathrooms and electrical system and correct foundation/leak problem at youth after-school center.	$125,320
11 . Mission Area Health Associates 240 Shotwell Street	Revise entrance, stair well and parking lot, remove freight elevator and hazardous material at community health clinic.	$135,000
12 . Mission Childcare Consortium 4750 Mission Street	Upgrade a child care facility by replacing carpets and bathroom fixtures and partitions.	$20,000
13 . Mission Neighborhood Centers 2730 Bryant Street	Upgrade kitchen and install soundproofing at youth development center.	$41,000
14 . Mission Neighborhood Centers 362 Capp Street	Replace auditorium flooring in community center serving preschool children and seniors.	$16,500
15 . Nihonmachi Little Friends 1830 Sutter Street	Install a ramp and an accessible bathroom in an existing child care center.	$85,000
16 . On Lok Day Services 225 30th Street	Provide accessible entrance and bathrooms at senior center	$76,900
17 . Recreation Center for the Handicapped 207 Skyline Boulevard	Install sidewalk and replace gutter at a recreation center for disabled individuals.	$70,000
18 . Southwest Community Corporation 446 Randolph Street	Weatherproof exteriors walls and install exterior lighting at this multi-purpose center.	$28,000
19 . Telegraph Hill Neighborhood Center 660 Lombard Street	Repair dry rot damage and replace roof at a neighborhood center.	$20,000
20 . Walden House 1103 Bigelow Court	Convert two side-by-side bungelows into a one residential drug facility for female ex-offenders w/children.	$88,500
21 . Walden House 890 Hayes Street	Upgrade path-of-travel and two existing bathrooms at residential drug treatment facility.	$100,000
	Subtotal:	**$1,302,170**

New Facilities Development

This program provides funds to assist with the development of new community facilities.

1 . Filipino-American Development Foundation 1010 Mission Street	Provide restrooms, ceiling and lighting, and finished flooring as part of tenant improvements in 5,000 square foot multi-service community center.	$150,000
2 . Kai Ming, Inc. 2800 Taraval Street	Install accessible bathrooms and HVAC system at a new Federally-funded Head Start center.	$120,000
3 . Mission Childcare Consortium	Converting the ground and mezzanine levels of	$250,000

Community Development Block Grant Program

Activity Name and Location	Program Description	2003 Budget
4760 Mission Street	an existing building into a new child care center.	
4 . Mission Neighborhood Centers 3001 24th Street	Upgrade structural, foundation and mechanical systems to expand after school and summer programs for girls in the Mission District.	$80,000
5 . Power Up! Economic Development Corporation 477 O'Farrell Street	Renovate program space in basement and ground floor of senior center.	$96,000
6 . Self-Help for the Elderly 740 Washington Street	Renovate a 13,000 square foot building into a licensed adult day care health center for 60 participants per day.	$200,000
	Subtotal:	$896,000

Other Capital Program Pools

These pools provide funds for projects assisting low and moderate income persons.

1 . BHP Multipurpose Center	Resources for multipurpose center in the Bayview/Hunter's Point neighborhood	$490,922
2 . Capital Pools	Resources to provide for additional capital funding for compliance with ADA on approved projects, unforeseen problems, new code requirements and other capital needs.	$1,500,000
3 . City Emergency Relief	Resources to assist City in emergency relief of CDBG eligible projects	$1,000,000
	Subtotal:	$2,990,922

Public Services

This program provides funds for direct services to low and moderate income persons.

1 . African Immigrant and Refugee Resource Center 30 Mason Street	Provide job development/placement to African immigrants/refugees and low-income residents.	$67,000
2 . AIDS Legal Referral Panel of the SF Bay Area 1663 Mission Street	Provide legal support, counseling, education and representation to HIV positive individuals entering/re-entering the work force.	$39,500
3 . Arab Cultural Center 230 Golden Gate Avenue	Provide basic counseling, case-management and life skills training to Arab immigrant men and women.	$50,000
4 . Ark of Refuge 1025 Howard Street	Provide after-school and summer youth multi-media arts program to low-income youth ages 8-17 years old.	$70,000
5 . Asian Law Caucus 939 Market Street	Provide employment, labor, housing, immigration, public benefits and naturalization legal services.	$55,500
6 . Asian Pacific American Community Center 2442 Bayshore Boulevard	Provide information and referral services in collaboration with other service providers in the Visitacion Valley and Bayview Hunter's Point District for Asian immigrants.	$60,000
7 . Asian Women's Shelter 3543 18th Street	Provide intensive case management, counseling, collaboration and advocacy for battered women and their children.	$31,500
8 . Bar Assoc. of SF Volunteer Legal Services 465 California Street	Provide legal and social services to low-income renters to avoid imminent loss of housing.	$30,000

Community Development Block Grant Program

Activity Name and Location	Program Description	2003 Budget
9 . Bay Area Legal Aid 50 Fell Street	Provide legal services that will help women achieve economic self-sufficiency and stable, violence-free homes.	$42,000
10 . Bay Area Video Coalition 2727 Mariposa Street	Provide multi-media training, technical assistance and placement service to low-income San Francisco residents	$125,000
11 . Booker T. Washington Community Service Center 800 Presidio Avenue	Provide after school tutorial, basic computer skills, recreation, counseling, and referrals services.	$61,000
12 . Brava! for Women in the Arts 2781 24th Street	Provide technical theater training, and placement services to low-income youth and young adults	$47,000
13 . Career Resources Development Center 655 Geary Street	Provide vocational training, placement and retention services to immigrants, refugees and other disadvantaged adults.	$90,000
14 . Catholic Youth Organization/Mission Day Care 180 Fair Oaks Street	Provide child care and parenting education services to low income residents of San Francisco	$61,500
15 . Central American Resource Center (CARECEN) 1245 Alabama Street	Provide work permit application assistance to low-income Latino immigrants residing in San Francisco	$40,000
16 . Central City Hospitality House 290 Turk Street	Provide job training, counseling, placement and retention services to homeless and low-income people from the Tenderloin community.	$31,650
17 . Charity Cultural Services Center 827 Stockton Street	Provide vocational training in cooking, bartending, and table waiting to limited English speaking individuals.	$100,000
18 . Chinatown Community Development Center 1525 Grant Avenue	Provides housing counseling services to monolingual Chinese-speaking tenants at risk of being evicted.	$50,000
19 . Chinese for Affirmative Action 17 Walter U. Lum Place	Provide job readiness, counseling, placement and retention services primarily in the Chinatown and Visitacion Valley neighborhoods.	$100,000
20 . Chinese Newcomers Service Center 317 Sixth Avenue	Provide bilingual job preparation (readiness), information, placement and retention services for immigrants in the Richmond District (expansion).	$25,000
21 . Chinese Newcomers Service Center 777 Stockton Street	Provide bilingual job preparation, information, placement and retention services for immigrants in Chinatown, the Sunset and Visitaction Valley.	$71,000
22 . Community Alliance for Special Education (CASE) 1500 Howard Street	Advocacy with parents and the school district to develop appropriate Individual Education Program to assist children with disabilities.	$25,000
23 . Community United Against Violence 160 14th Street	Provide counseling/legal services to gay, lesbian, bisexual and transgender victims of domestic violence.	$27,000
24 . Community Youth Center-San Francisco (CYC-SF) 1693 Polk Street	Provide job skills enhancement, vocational/multimedia computer training and placement to youth.	$73,000
25 . Compass Community Services 942 Market Street	Provide food, clothing support services for homeless and very low-income families/children.	$37,000

Community Development Block Grant Program

Activity Name and Location	*Program Description*	*2003 Budget*
26 . Donaldina Cameron House 920 Sacramento Street	Provide multi-lingual employment readiness training and placement services to domestic violence clients.	$35,000
27 . Ella Hill Hutch Community Center 1050 McAllister Street	Provide computer training for all ages, supplementary education, and recreation.	$125,000
28 . Episcopal Community Services of SF 705 Natoma Street	Provide adult education as part of Skills Center focused on job skills and basic education for the homeless and extremely low-income individuals.	$30,000
29 . Filipino-American Council of SF 2940 16th Street	Provide job readiness training and employment placement services to low-income Filipino immigrants residing in San Francisco.	$50,000
30 . Glide Foundation 330 Ellis Street	Provide training and employment services and office technology skills to extremely low income and homeless adults.	$56,000
31 . Gum Moon Residence Hall 940 Washington Street	Provide subsidized housing and support services to Asian immigrant domestic violence victims.	$40,000
32 . Haight Ashbury Food Program 270 Divisadero Street	Provide training to homeless and low-incomes enrollees to enter the food service industry and provide life skills tools to trainees to become self-sufficient.	$25,000
33 . HAPPY (Haight Ashbury Play Program for Youth) 800 Presidio Avenue	Provide a free drop-in after school recreation program for homeless and low-income children.	$35,000
34 . Hearing Society for the Bay Area, Inc. 49 Powell Street	Provide specialized guidance, education/referral, and translation support to deaf and hard of hearing individuals, and families.	$45,000
35 . Hunter's Point Boys and Girls Club 729 Kirkwood Avenue	Providing case management services for 120 youth residing in public housing.	$20,000
36 . Hunters Point Community Youth Park Foundation 200 Middle Point Road	Provide after school educational, recreation and summer program with nutritional support to public housing youths.	$125,000
37 . Independent Living Resource Center of SF 649 Mission Street	Provide placement and counseling services to assist persons with physical and mental disabilities to obtain affordable housing.	$60,000
38 . Ingleside Community Center 1345 Ocean Avenue	Provide workforce development training, job placements, retention and referral services.	$70,500
39 . Instituto Laboral de la Raza 2947 16th Street	Provide legal services in the areas of employment and labor law to low income residents of San Francisco	$68,000
40 . Jewish Vocational and Career Counseling Service 77 Geary Street	Provide employment specialist training and job placements to low-income individuals.	$60,000
41 . John W. King Senior Center 500 Raymond Avenue	Provide frail/disabled seniors with transportation and support to medical appointments, adult day care, nutrition sites.	$125,000
42 . La Casa de las Madres 1850 Mission Street	Provide case-management and counseling to battered women and their children	$52,000
43 . La Raza Centro Legal 474 Valencia Street	Provide bilingual legal representation and advocacy services for low income persons	$125,000

Community Development Block Grant Program

Activity Name and Location	*Program Description*	*2003 Budget*
44 . Larkin Street Youth Center 869 Ellis Street	Provide case management services to foster care young adult.	$36,000
45 . Larkin Street Youth Center 1044 Larkin Street	Provide case management services to the shelter's homeless youth.	$25,000
46 . Lavender Youth Rec. & Info. Ct.(LYRIC) 127 Collingwood Street	Provide job readiness training, homework assistance, mentoring and counseling to lesbian, gay, bisexual, transgender and questioning youth.	$30,000
47 . Lavender Youth Rec. & Info. Ct.(LYRIC) 127 Collingwood Street	Provide outreach, job linkage, and other supportive services to LGBTQ youth 18-25.	$40,000
48 . Legal Assistance to the Elderly 100 McAllister Street	Provide legal counseling and advocacy services to seniors facing eviction or other tenant problems	$30,000
49 . Lyon-Martin Women's Health Services 1748 Market Street	Provide primary health care services to low income women	$77,500
50 . Milestones Human Services, Inc. 291 10th Street	Provide job retention services, including mentoring/job readiness services to persons coming out of the criminal justice system.	$44,500
51 . Mission Education Projects, Inc. 3049 24th Street	Provide tutorial services to elementary school children and support services for parents	$50,000
52 . Mission Hiring Hall, Inc. 3042 16th Street	Provide bilingual comprehensive employment training, placement and retention services to low- income immigrants	$119,000
53 . Mission Language and Vocational School, Inc. 2929 19th Street	Provide job training and placement services and vocational English training, particularly to Latinos and other immigrants	$125,000
54 . Mission Learning Center 474 Valencia Street	Provide after-school and summer tutorial program for youth, and parenting education for parents	$106,500
55 . Mission Neighborhood Centers 534 Precita Avenue	Provide after school youth development activities and case management to youth	$40,000
56 . Network For Elders 1555 Burke Avenue	Provide case management, home care for frail elders, and basic training for home care workers.	$43,000
57 . New Leaf Services for our Community 1853 Market Street	Provide outpatient mental health services to the gay, lesbian, bisexual and transgender communities.	$55,000
58 . Nihonmachi Legal Outreach 1188 Franklin Street	Provide legal services in the areas of domestic violence, immigration, naturalization and public benefits to the Asian/Pacific Islander community	$93,000
59 . Northern California Service League 28 Boardman Place	Provide employment readiness and placement services to General Assistance recipients who are recent ex-offenders.	$68,000
60 . Opnet Community Ventures, Inc. 965 Mission Street	Provide multi-media job readiness training, internship, job placement and support services to young adults	$50,000
61 . Portola Family Connections 459 Vienna Street	Provide case-management to resolve family problems and improve family functioning in OMI	$35,000

Community Development Block Grant Program

Activity Name and Location	Program Description	2003 Budget
62 . Positive Resource Center 973 Market Street	Provide comprehensive employment preparation and placement services for HIV-positive individuals	$30,000
63 . Renaissance Parents of Success 1485 Bayshore Blvd.	Provide job placement, job readiness, job retention and comprehensive vocational computer education for young adults and adults in the Southeast section of San Francisco.	$125,000
64 . Samoan Community Development Center 2055 Sunnydale Avenue	Provide employment, case management, and advocacy services to Pacific Islanders	$60,000
65 . San Francisco Child Abuse Prevention Center - Talk 1757 Waller Street	Provide and coordinate family support and pretreatment services to families of working individuals recovering from substance abuse.	$32,500
66 . Self-Help for the Elderly 407 Sansome Street	Provide Home Health Aide training to limited English-speaking adults for certification by the State as Home Health Aides and placement in jobs	$30,000
67 . Self-Help for the Elderly 407 Sansome Street	Provide housing counseling, referrals, mediation, supportive services and educational workshops, particularly to the frail and elderly, to remain in their homes	$50,500
68 . Southwest Community Corporation 446 Randolph Street	Provide facility management for the OMI Pilgrim Community Center and nonprofit tenants.	$50,000
69 . St. John's Educational Thresholds Center 1575 15th Street	Provide educational enrichment and tutorial services for youth and education workshops for parents	$25,500
70 . St. Vincent de Paul Society of San Francisco 425 Fourth Street	Provide case management and money management service for homeless with substance abuse problem.	$45,000
71 . Sunset District Comm. Develop. Corp. 4001 Judah Street	Provide case management services to low-income families, particularly women in crisis; this includes supplemental groceries for individuals in need of food.	$55,000
72 . Swords to Plowshares Veterans Rights Organization 1063 Market Street	Provide legal assistance to homeless and low-income veterans in applying for disability income and medical benefits from the VA.	$40,000
73 . Tenderloin Housing Clinic, Inc. 126 Hyde Street	Provides free legal counseling and representation to senior, disabled and mono-lingual Spanish speaking tenants in residential hotels citywide.	$87,500
74 . Tides Center/Housing Rights Committee of 427 South Van Ness Avenue	Provide housing counseling services to low income tenants and senior tenants to help them preserve their affordable housing.	$57,000
75 . Tides Center/St. Peter's 474 Valencia Street	St. Peter's Housing Committee provides tenant counseling, advocacy and tenant training workshops to low income tenants.	$32,000
76 . Toolworks 1119 Market Street	Provide on-the-job training and job placement for adults with disabilities	$47,000
77 . Vietnamese Community Center of SF 766 Geary Street	Provide vocational training, referrals, and placement services to low-income Vietnamese young adults.	$50,000

Community Development Block Grant Program

Activity Name and Location	*Program Description*	*2003 Budget*
78 . Vietnamese Elderly Mutual Assistance Association 670 Geary Street	Provide supportive services to low income Vietnamese seniors in the Tenderloin (in the areas of health, education, housing and citizenship)	$35,000
79 . Visitacion Valley JET 333 Schwerin Street	Provide job training, placement and support services for low-income residents of Vis. Valley.	$100,000
80 . West Bay Pilipino Multi-Service Corp. 170 Seventh Street	Provide pre-employment training, academic tutoring, and recreational services to youth and young adults (ages 14-25).	$60,000
81 . Whitney Young Child Development Center 100 Whitney Young Circle	Provide night and evening computer training classes to 100 clients in the Bayview Hunters Point area, in conjunction with childcare availability.	$40,000
82 . Women's Foundation, Mujeres Unidas Y Activas 3543 18th Street	Provide home health care training, placement and support services to low-income immigrant Latino women	$50,000
83 . Young Community Developers 1715 Yosemite Avenue	Provide job search, employment placement, work readiness, career development, and transition services to low-income disadvantaged individuals.	$100,000
	Subtotal:	**$4,825,650**

Economic Development

CDBG Economic Development. Funding for activities that support job creation activities leading to employment of low income persons.

1 . Arriba Juntos 1850 Mission Street	Provides job training and placement for home health aids	$38,000
2 . Community Vocational Enterprises 1425 Folsom Street	Offers job training, placement and support services to individuals with psychiatric disabilities through janitorial company	$41,500
3 . Juma Ventures 24 Willlie Mays Plaza	Provides youth with job training and employment at nonprofit business enterprises	$55,000
4 . Mission Economic Development Association 3505 20th Street	Provides technical assistance and loan packaging services to small businesses and entrepreneurs in the Mission district and surrounding neighborhoods.	$267,000
5 . Mission Economic Development Association 4651 Mission Street	Expands access to technical assistnace and loan packaging services for small businesses and entrepreneurs in the Excelsior and Outer Mission Districts.	$150,000
6 . MOCD Economic Development Pool	To address unanticipated needs and to support evaluation of existing economic development strategies	$92,500
7 . Northeast Community Federal Credit Union 51 Walter U. Lum Place	Provide loan packaging and technical assistance to small businesses with a focus on the Asian Pacific Islander communities	$120,000
8 . Northeast Community Federal Credit Union 215 Taylor Street	Provide expanded neighborhood banking services and credit counseling at the Tenderloin branch	$75,000
9 . Private Industry Council of SF 1650 Mission Street	Tax-credit technical assistance program that encourages employers, especially those located	$70,000

Community Development Block Grant Program

Activity Name and Location	Program Description	2003 Budget
	in Enterprise Zones, to hire low- and extremely low-income individuals	
10 . South of Market Foundation 1083 Mission Street	Provides technical assistance and loan packaging assistance to small businesses and emerging entrepreneurs in primarily the South of Market area and also city-wide.	\$50,000
11 . Southeast Asian Community Center 875 O'Farrell Street	Provide loan packaging and technical assistance to small businesses, women-owned and minority owned businesses with a focus on the Asian Pacific Islander communities, as part of the apiBIS program	\$120,000
	Subtotal:	**\$1,079,000**

Microenterprise Assistance

CDBG Microenterprise Assistance. This program provides funds for entreprenuership assistance.

1 . Children's Council of SF 445 Church Street	Support start-up, retention and growth of family child care microenterprises through the provision of training and technical assistance	\$30,000
2 . Positive Resource Center 973 Market Street	Provide training and technical assistance programs that help individuals who are living with HIV/AIDS to create microbusinesses	\$85,000
3 . Renaissance Entrepreneurship Center 3801 3rd Street	Provides training, technical support and financial services through the BBRC to small businesses and entrepreneurs in BVHP and surrounding neighborhoods	\$208,000
4 . Renaissance Entrepreneurship Center 275 5th Street	Provides business management training, technical assistance, financing assistance and incubator services to emerging entrepreneurs.	\$228,500
5 . Southeast Asian Community Center 875 O'Farrell Street	Provide loan packaging and technical assistance to small businesses, women-owned and minority owned businesses with a focus on the Southeast Asian community.	\$106,500
6 . Women's Initiative for Self Employment 1390 Market Street	Provides bi-lingual/mono-lingual micro-enterprise training, technical assistance and financing to low-income women.	\$125,000
7 . Wu Yee Children's Services 888 Clay Street	Provides technical assistance and training for family child care microenterprises	\$84,000
	Subtotal:	**\$867,000**

Institution of Higher Education

This code is used for identifying CDBG funding to institutions of higher learning for any activity.

1 . CCSF Small Business Development Center 455 Market Street	Provides technical assistance, one-on-one business counseling, loan packaging services and post-loan technical assistance to small businesses.	\$75,000
	Subtotal:	**\$75,000**

Community Development Block Grant Program

Activity Name and Location	*Program Description*	*2003 Budget*

Administration

These funds are used to funds services needed to administer the CDBG Program.

1 . Controller	Indirect costs for City and County of San Francisco, including single audit for MOCD	$60,000
2 . Controller	Indirect costs for City and County of San Francisco, including single audit for MOH	$60,000
3 . Mayor's Office of Community Development	General program administration	$2,564,533
4 . Mayor's Office of Community Development	Enterprise/Renewal Community Programs	$87,403
5 . Mayor's Office of Community Development	Rent Relocation Board administrative costs	$13,153
6 . Mayor's Office of Community Development	Disability Council Program	$10,000
7 . Mayor's Office of Community Development	Homelessness Local Board Administrative Costs	$85,340
8 . Mayor's Office of Community Development	Environmental review	$15,000
9 . Mayor's Office of Housing	General CDBG program administration	$1,206,412
10 . Mayor's Office of Housing	Multifamily Housing Revenue Bonds	$173,066
11 . Mayor's Office of Housing	Environmental Review	$5,000
12 . San Francisco City Attorney - MOCD	Provision of legal services to for CDBG and ESG programs	$25,000
13 . San Francisco City Attorney - MOH	Provision of legal services for CDBG and HOME programs	$25,000
14 . San Francisco Human Rights Commission - MOCD	Monitor compliance with MBE/WBE, HUD Section 3 and local hiring requirements	$114,235
15 . San Francisco Human Rights Commission - MOH	Monitor compliance with MBE/WBE, HUD Section 3, local hiring and Fair Housing requirements	$114,235
16 . San Francisco Planning Department	Process historical preservation clearances for MOCD	$7,500
17 . San Francisco Planning Department	Process historical preservation clearances for MOH	$7,500
	Subtotal:	4,573,377

Planning and Capacity Building

This program provides funds for capacity building, studies and planning new projects.

1 . Chinese for Affirmative Action 17 Walter U. Lum Place	Funding to support neighborhood planning and capacity building activities	$10,000
2 . Chinese Newcomers Service Center 777 Stockton Street	Feasibility study on acquisition of new facilitities and expansion of existing and planned services into other SF neighborhoods.	$15,000
3 . Chinese Newcomers Service Center 777 Stockton Street	Funding to support neighborhood planning and capacity building activities	$10,000
4 . Compasspoint Nonprofit Services 706 Mission Street	Workshops and forums on nonprofit management-related topics for MOCD grantees	$43,950
5 . Geneva Valley Development Corporation 333 Schwerin Street	1) Develop a three-year strategic plan; 2) Staff development/training	$12,800
6 . Geneva Valley Development Corporation 333 Schwerin Street	Funding to support neighborhood planning and capacity building activities	$20,000
7 . Haight Ashbury Food Program	Funding to support neighborhood planning and	$15,000

Community Development Block Grant Program

Activity Name and Location	Program Description	2003 Budget
1525 Waller Street	capacity building.	
8 . Jamestown Community Center 3382 26th Street	A financial feasibility study to determine the ability of the organization to undertake a capital campaign to acquire a new facility in the Mission District.	$15,000
9 . Korean Center, Inc. 1362 Post Street	An assessment of the community building needs of low-income Koreans in San Francisco and development of a three-year strategic plan to address the identified needs.	$15,000
10 . Life Frames, Inc. 300 Seneca Avenue	Develop a plan for community outreach, and a plan for a community mentors and natural resources training program for the OMI/Excelsior Living Library & Think Park, an urban area that is tranformed into a community learning environment based on the area's human, ecological, economic, historical, technological and aesthetical resources	$15,000
11 . Mission Economic Development Association 3505 20th Street	Develop a strategy to purchase a building to house MEDA offices, other non-profits, small businesses and community space	$10,000
12 . Mission Neighborhood Centers 362 Capp Street	Funding to support neighborhood planning and capacity building	$20,000
13 . MOCD - Planning/Capacity Building Pool	To provide planning and technical assistance to community development organizations	$226,000
14 . MOCD Consolidated Planning	To support Consolidated Planning efforts required by HUD	$102,675
15 . MOH Planning & Capacity Building Pool	To provide technical assistance to non-profits	$100,000
16 . Nihonmachi Legal Outreach 1188 Franklin Street	Restructure Board of Directors and committees, strengthen budgeting and funding and maximize potential of office site for neighborhood development.	$15,000
17 . Portola Family Connections 2565 San Bruno Avenue	Funding to support neighborhood planning and capacity building	$20,000
18 . Sunset District Comm. Develop. Corp. 4001 Judah Street	Funding to support neighborhood planning and capacity building	$20,000
19 . Telegraph Hill Neighborhood Center 660 Lombard Street	Funding to support neighborhood planning and capacity building activities	$20,000
20 . Uprising Community Federal Credit Union 1790 Yosemite Street	1) Identify and secure sponsorship for a community credit union; 2) Recruit board members for the credit union; and, 3) Locate space to house the credit union	$7,000
21 . Visitacion Valley JET 333 Schwerin Street	1) Develop a three-year strategic plan; 2) Board development/training; 3) Executive Director coaching	$8,000
22 . Women's Initiative for Self Employment 1390 Market Street	Revision and improvement of curricula and expansion of services for Spanish speaking women.	$15,000
23 . Young Community Developers 1715 Yosemite Avenue	Planning project to expand participant pool and staff to reflect the changing demographics of the southeast region of San Francisco.	$15,000
	Subtotal:	**$750,425**

Community Development Block Grant Program

Activity Name and Location	Program Description	2003 Budget
Program Income Funded Activities		
These activities are funded with program income.		
1 . Mayor's Office of Community Development	Repayment of Section 108 Childcare Facilities loans	$1,023,248
2 . Mayor's Office of Community Development	Repayment of Section 108 Economic Development loans	$1,194,375
3 . Mayor's Office of Community Development	Microenterprise Loan Program	$250,000
4 . Mayor's Office of Community Development	Small Business Loan Program	$750,000
5 . Mayor's Office of Housing	Repayment of Community Housing Rehabilitation Program loans	$1,500,000
6 . San Francisco Redevelopment Agency	Job Training	$315,000
7 . San Francisco Redevelopment Agency	Relocation assistance to businesses, families and others impacted by CDBG program	$1,008,000
8 . San Francisco Redevelopment Agency	Economic Development	$103,000
9 . San Francisco Redevelopment Agency	General program administration	$331,000
10. San Francisco Redevelopment Agency	Survey and planning for the Transbay Project	$704,000
	Subtotal:	**$7,158,623**
	TOTAL CDBG (INCLUDING PROGRAM INCOME)	$34,246,928

Unexpended Balances CDBG, Open Projects

Grant	PGM	Agency	FundSource	CtNr	IndexCode	CtExpire	CtAmt	PaymentTotal	CurrentBalance
MOCD01									
	CHRP	ABC Portola IV, LLC	MOCD01	X	MYRCDBG01		$377,000.00	($331,262.24)	$45,737.76
	ADM	AEM Consulting LLC	MOCD01	BPMO01000001	MYRCDBG01		$15,000.00	($11,462.41)	$3,537.59
	ADM	AEM Consulting LLC	MOCD01		MYRCDBG01		$50,000.00	$0.00	$50,000.00
	CP	Ark of Refuge	MOCD01	ENMO01000108	MYRCDBG01	30-Jun-03	$48,300.00	$0.00	$48,300.00
	CHRP	Arlington Hotel Limited Partners Inc.	MOCD01	X	MYRCDBG01		$49,758.00	($42,130.25)	$7,627.75
	CP	Arriba Juntos	MOCD01	ENMO02000221	MYRCDBG01	31-Dec-03	$100,000.00	($12,052.00)	$87,948.00
	PL	Asian Neighborhood Design	MOCD01	ENMO01000086-04	MYRCDBG01	30-Jun-03	$60,000.00	($57,674.20)	$2,325.80
	CHRP	Cambridge Hotel, L.P.	MOCD01	X	MYRCDBG01		$12,505.00	($10,382.20)	$2,122.80
	HPP	Cambridge Hotel, L.P.	MOCD01	X	MYRCDBG01		$1,400,105.00	($1,166,378.73)	$233,726.27
	CP	Charity Cultural Services Center	MOCD01	ENMO02000181	MYRCDBG01	30-Jun-02	$110,500.00	$0.00	$110,500.00
	CHRP	Dalt Hotel	MOCD01	X	MYRCDBG01		$897,520.00	($892,855.81)	$4,664.19
	CP	Economic Opportunity Council of SF	MOCD01	ENMO01000075-02	MYRCDBG01	31-Jul-03	$80,000.00	($8,559.00)	$71,441.00
	CP	Economic Opportunity Council of SF	MOCD01	ENMO01000076-02	MYRCDBG01	31-Jul-03	$45,000.00	($43,103.72)	$1,896.28
	CP	Geneva Valley Development Corporation	MOCD01	ENMO02000226	MYRCDBG01	30-Sep-03	$150,000.00	($79,692.04)	$150,000.00
	PL	Geneva Valley Development Corporation	MOCD01	ENMO01000153-02	MYRCDBG01	30-Nov-03	$6,080.00	($2,208.63)	$3,871.37
	CHRP	Hamlin Hotel	MOCD01	X	MYRCDBG01		$8,200.00	($6,808.00)	$1,392.00
	CP	Ingleside Community Center	MOCD01	ENMO01000002	MYRCDBG01	31-Dec-03	$25,000.00	($5,915.00)	$19,085.00
	CP	Lavender Youth Rec. & Info. Ct.(LYRIC)	MOCD01	ENMO01000218	MYRCDBG01	30-Jun-02	$90,000.00	$0.00	$90,000.00
	HPA	Missiou Housing Development Corporation	MOCD01	ENMO02000159-02	MYRCDBG01	31-Oct-02	$85,000.00	($72,212.08)	$12,787.92
	CP	Mission Language and Vocational School, Inc.	MOCD01	ENMO01000202	MYRCDBG01	15-Jun-02	$56,500.00	$0.00	$56,500.00
	CP	Mission Neighborhood Centers	MOCD01	ENMO03000171	MYRCDBG01	30-Jun-03	$68,000.00	$0.00	$68,000.00
	PI	Northern California Community Loan Fund	MOCD01	ENMO03000156	MYRCDBG01	31-Jan-04	$27,500.00	$0.00	$27,500.00
	CP	Potrero Hill Neighborhood House	MOCD01	ENMO02000224	MYRCDBG01	30-Jun-03	$120,000.00	($8,001.97)	$111,998.03
	CP	Sage Project	MOCD01		MYRCDBG01		$100,000.00	$0.00	$100,000.00
	CP	San Francisco Housing Authority	MOCD01	ENMO01000211	MYRCDBG01	31-Dec-03	$100,000.00	$0.00	$100,000.00
	CP	San Francisco Housing Authority	MOCD01	ENMO01000210	MYRCDBG01	31-Dec-03	$47,000.00	$0.00	$47,000.00
	CP	San Francisco Housing Authority	MOCD01	ENMO01000212	MYRCDBG01	31-Dec-03	$24,000.00	($14,535.00)	$9,465.00
	CP	San Francisco Housing Authority	MOCD01	ENMO01000213	MYRCDBG01	31-Dec-03	$80,000.00	$0.00	$80,000.00
	CP	St. Boniface Neigh. Center	MOCD01		MYRCDBG01	30-Jun-01	$175,000.00	$0.00	$175,000.00
	CP	Swords to Plowshares Veterans Rights Organization	MOCD01	ENMO01000079	MYRCDBG01	30-Jun-01	$66,300.00	$0.00	$66,300.00
	CHRP	Tenderloin Neighborhood Development Corporation	MOCD01	X	MYRCDBG01		$257,764.00	($178,605.90)	$79,158.10
	ED	Teoderloin Neighborhood Development Corporation	MOCD01	ENMO03000192-02	MYRCDBG01	30-Jun-03	$13,736.00	$0.00	$13,736.00
	CP	Visitacion Valley Comm. Ctr., Inc.	MOCD01	ENMO01000176	MYRCDBG01	31-Dec-03	$30,000.00	($23,308.00)	$6,692.00
	CP	Walden House	MOCD01	ENMO01000001	MYRCDBG01	30-Jun-02	$81,500.00	$0.00	$81,500.00
	CP	YMCA of San Francisco	MOCD01	ENMO01000165-02	MYRCDBG01	28-Feb-03	$15,000.00	$0.00	$15,000.00
MOCD02									
	CP	A Home Away From Homelessness	MOCD02	ENMO02000213	MYRCDBG02	31-Dec-02	$62,550.00	($1,400.00)	$61,150.00
	PL	Arriba Juntos	MOCD02	ENMO02000210	MYRCDBG02	30-Jun-03	$25,000.00	($17,207.50)	$7,792.50
	CP	Burt Center Inc	MOCD02	ENMO02000178	MYRCDBG02	30-Jun-03	$70,000.00	$0.00	$70,000.00
	CP	Centro del Pueblo	MOCD02	ENMO02000185	MYRCDBG02	30-Jun-02	$70,000.00	$0.00	$70,000.00

Grant	PGM	Agency	FundSource	CtNr	IndexCode	CtExpire	CtAmt	PaymentTotal	CurrentBalance
	CP	Chinatown Community Children's Center	MOCD02	ENMO02000214	MYRCDBG02	20-Sep-03	$18,800.00	($2,305.79)	$16,494.21
	CHRP	Chinatown Community Development Center	MOCD02	X	MYRCDBG02		$284,743.00	($155,145.00)	$129,598.00
	CP	Community Vocational Enterprises	MOCD02	x	MYRCDBG02	30-Jun-02	$70,000.00	$0.00	$70,000.00
	PFI	Donaldina Cameron House	MOCD02	ENMO02000047	MYRCDBG02	28-Aug-02	$50,000.00	$0.00	$50,000.00
	CP	Ingleside Community Center	MOCD02	ENMO02000031	MYRCDBG02	31-Dec-03	$30,000.00	$0.00	$30,000.00
	CP	Meals on Wheels of SF	MOCD02	ENMO02000142	MYRCDBG02	30-Jun-02	$111,500.00	$0.00	$111,500.00
	CP	Milestones Human Services, Inc.	MOCD02	ENMO02000229	MYRCDBG02	30-Jun-03	$159,000.00	$0.00	$159,000.00
	CP	North of Market Senior Services	MOCD02	ENMO02000217	MYRCDBG02	30-Jun-03	$110,000.00	$0.00	$110,000.00
	CP	On Lok Day Services	MOCD02	ENMO03000162	MYRCDBG02	01-Jul-03	$90,000.00	($81,777.87)	$8,222.13
	CP	Portola Family Connections	MOCD02	ENMO02000002	MYRCDBG02	30-Jun-03	$110,000.00	($89,532.00)	$20,468.00
	PL	Rainbow Adult Community Housing (RACH)	MOCD02	ENMO02000148	MYRCDBG02	30-Jun-02	$24,900.00	($19,275.00)	$5,625.00
	CP	Sage Project	MOCD02		MYRCDBG02	30-Jun-02	$115,000.00	$0.00	$115,000.00
	PFI	San Francisco Conservation Corps	MOCD02	ENMO02000223	MYRCDBG02	31-Dec-02	$130,000.00	($109,984.41)	$20,015.59
	PH	San Francisco Housing Authority	MOCD02	ENMO02000168	MYRCDBG02	31-Dec-03	$101,000.00	$0.00	$101,000.00
	PH	San Francisco Housing Authority	MOCD02	ENMO02000165	MYRCDBG02	31-Dec-03	$104,560.00	$0.00	$104,560.00
	CP	Self-Help for the Elderly	MOCD02	ENMO03000187	MYRCDBG02	31-Dec-03	$170,000.00	$0.00	$170,000.00
	CP	Telegraph Hill Neighborhood Association	MOCD02	ENMO02000135	MYRCDBG02	30-Jun-03	$97,000.00	($61,414.20)	$35,585.80
	ED	Tenderloin Neighborhood Development Corporation	MOCD02	ENMO03000192-01	MYRCDBG02	30-Jun-03	$56,264.00	$0.00	$56,264.00
	CP	Walden House	MOCD02	ENMO02000073	MYRCDBG02	30-Jun-02	$65,000.00	$0.00	$65,000.00
	CP	Walden House	MOCD02	ENMO02000076	MYRCDBG02	30-Jun-02	$81,550.00	$0.00	$81,550.00
	CP	Walden House	MOCD02	ENMO02000072	MYRCDBG02	30-Jun-02	$50,000.00	$0.00	$50,000.00
	CP	YMCA-Bayviews Hunter's Point	MOCD02	x	MYRCDBG01	30-Jun-02	$275,000.00	$0.00	$275,000.00
MOCD97									
	CP	Burt Center Inc	MOCD97	ENMO02000177	MYRCDBG	30-Jun-03	$49,500.00	($5,491.49)	$44,008.51
	CP	Henry Ohlhoff House	MOCD97	ENMO03000176	MYRCDBG	30-Jun-03	$27,000.00	$0.00	$27,000.00
	CP	Instituto Familiar de la Raza	MOCD97	ENMO99000055	MYRCDBG	31-Dec-02	$35,000.00	$0.00	$35,000.00
	CP	Visitacion Valley Comm. Ctr., Inc.	MOCD97	ENMO98000145	MYRCDBG	31-Dec-02	$86,000.00	($83,773.50)	$2,226.50
MOCD98									
	ADM	Alice Estill Miller	MOCD98	POMO99000003	MYRCDBG	31-Mar-99	$30,000.00	($28,276.91)	$1,723.09
	ED	Chinatown Community Development Center	MOCD98	ENMO99000048	MYRCDBG	31-Jan-03	$100,000.00	($55,859.81)	$44,140.19
	PFI	Donaldina Cameron House	MOCD98	X	MRYCDBG		$70,000.00	$0.00	$70,000.00
	CP	Episcopal Community Services of SF	MOCD98	ENMO01000209	MYRCDBG	31-Dec-01	$31,000.00	$0.00	$31,000.00
	CP	Geneva Valley Development Corporation	MOCD98	ENMO02000225	MYRCDBG	30-Sep-03	$381,331.00	$0.00	$381,331.00
	CP	Self-Help for the Elderly	MOCD98	X			$80,000.00	$0.00	$80,000.00
	CP	Swords to Plowshares Veterans Rights Organization	MOCD98	ENMO01000198	MYRCDBG	30-Jun-02	$20,000.00	$0.00	$20,000.00
MOCD99									
	CDBG	AEM Consulting LLC	MOCD99	BPMO00000005			$28,100.90	$0.00	$53,100.90
	CP	Ark of Refuge	MOCD99	ENMO00000006	MYRCDBG	30-Jun-03	$72,280.00	($7,000.00)	$65,280.00
	CP	Centro del Pueblo	MOCD99	ENMO00000046	MYRCDBG	31-Mar-03	$75,500.00	($36,672.20)	$38,827.80
	CP	Charity Cultural Services Center	MOCD99	ENMO02000180	MYRCDBG	30-Jun-02	$150,000.00	$0.00	$150,000.00
	CP	Coleman Children & Youth Services	MOCD99	ENMO02000198	MRYCDBG	30-Jun-03	$75,000.00	($56,000.00)	$19,000.00

Unexpended Balances CDBG Open Projects

rant	PGM	Agency	FundSource	CtNr	IndexCode	CtExpire	CtAmt	PaymentTotal	CurrentBalance
	CP	Hunter's Point Boys and Girls Club	MOCD99	ENMO99000186	MYRCDBG	30-Jun-03	$25,000.00	($16,571.62)	$8,428.38
	CP	Little Children's Development Center	MOCD99		MYRCDBG	30-Jun-03	$6,000.00	$0.00	$6,000.00
	CP	Mission Language and Vocational School, Inc.	MOCD99	ENMO00000018	MYRCDBG	30-Apr-00	$50,000.00	($10,947.20)	$39,052.80
	CP	Mission Neighborhood Centers	MOCD99	ENMO03000173	MYRCDBG	30-Jun-03	$29,500.00	$0.00	$29,500.00
	CP	Mission Neighborhood Centers	MOCD99	ENMO03000172	MYRCDBG	30-Jun-03	$50,000.00	$0.00	$50,000.00
	CP	Recreation Center for the Handicapped, Inc.	MOCD99	ENMO02000130	MYRCDBG	30-Jun-02	$55,000.00	$0.00	$55,000.00
	CP	Swords to Plowshares Veterans Rights Organization	MOCD99	ENMO00000004	MYRCDBG	31-Dec-00	$75,900.00	($24,125.96)	$51,774.04
	CP	The Marsh	MOCD99	ENMO02000197	MYRCDBG	30-Jun-02	$30,000.00	($29,155.20)	$844.80
	CP	United Council of Human Services	MOCD99	ENMO01000208	MYRCDBG	30-Jun-02	$50,000.00	($20,333.04)	$29,666.96
OCDBG									
	CP	899 Guerrero Street, Inc.	MOCDBG	ENMO98000052	MYR17CDBG001	31-Dec-02	$75,000.00	($49,954.00)	$25,046.00
	CHRP	Alice Estill Miller	MOCDBG	ENMO98000076	MYR17CDBG001	31-Jan-98	$21,410.00	($8,861.50)	$12,548.50
	CP	Bayview Opera House	MOCDBG	ENMO00000016	MYRCDBG	28-Feb-03	$63,500.00	($49,315.00)	$14,185.00
	CP	Ella Hill Hutch Community Center	MOCDBG	ENMO00000022	MYRCDBG	30-Jun-03	$15,000.00	$0.00	$15,000.00
	CP	Episcopal Community Services of SF	MOCDBG	ENMO00000050	MYRCDBG	31-Dec-03	$194,810.00	($135,379.41)	$59,430.59
	CP	Good Samaritan Family Resource Center	MOCDBG	ENMO01000196	MYRCDBG	31-Dec-02	$21,000.00	($5,944.00)	$15,056.00
	CP	Henry Ohlhoff House	MOCDBG	CTMY9447332-01	252887	30-Sep-03	$18,000.00	($5,860.00)	$12,140.00
	CP	Henry Ohlhoff House	MOCDBG	ENMO03000175	MYR17HUDCDBG	30-Jun-03	$52,000.00	$0.00	$52,000.00
	CP	Huoters Point Community Youth Park Foundation	MOCDBG	96000166	MYR17CDBG001	31-Dec-99	$168,000.00	($26,529.82)	$141,470.18
	CP	Ingleside Community Center	MOCDBG	X	MYRCDBG01	31-Dec-03	$12,093.02	$0.00	$12,093.02
	CP	Iugleside Community Center	MOCDBG	1808349	MYR17CDBG001	31-Dec-03	$22,000.00	($9,906.98)	$12,093.02
	CP	Little Children's Development Center	MOCDBG	ENMO99000058	MYRCDBG	30-Jun-03	$30,000.00	($19,329.00)	$10,671.00
	CP	Mission Neighborhood Centers	MOCDBG	ENMO99000006	MYR17HUDCDBG	30-Sep-02	$33,000.00	($29,722.50)	$3,277.50
	PL	Renaissance Entrepreneurship Center	MOCDBG	ENMO02000222	MYRCDBG	28-Feb-03	$15,000.00	($8,000.00)	$7,000.00

$5,703,553.87

Item 6 – File 03-0640

Department: Mayor's Office of Community Development (MOCD)

Item: Resolution approving the FY 2003-2004 Emergency Shelter Grants Program and Expenditure Schedule; and authorizing the Mayor on behalf of the City and County of San Francisco to accept, and expend a $867,000 entitlement under the Emergency Shelter Grants Program from the U.S. Department of Housing and Urban Development.

Amount: $867,000

Source of Funds: Federal Department of Housing and Urban Development (HUD)

Grant Period: July 1, 2003 through June 30, 2004

Description: The HUD Emergency Shelter Grants Program was first established under the Stewart B. McKinney Homeless Assistance Act in July of 1987. The program is designed to assist in (a) improving the quality of existing emergency shelters for the homeless, (b) making available additional emergency shelters, and (c) meeting the costs of operating emergency shelters. The program's goal is to provide certain essential social services to homeless individuals so that those persons have access to the support services needed to improve their situations.

The Mayor's Office of Community Development (MOCD) is responsible for administering and monitoring the Emergency Shelter Grants Program (ESGP). Funds from the ESGP are budgeted under four categories: (a) essential and social services, (b) homeless prevention services, (c) maintenance and operating expenses, and (d) MOCD administration. The FY 2003-2004 ESGP allocation of $867,000 is $12,000, or approximately 1.4 percent, less than the FY 2002-2003 allocation of $879,000. MOCD proposes to allocate $823,650, or 95 percent, of the program funds of $867,000 to 17 non-profit organizations and $43,350, or 5 percent, for MOCD administrative costs, as permitted under HUD regulations.

Budget: The proposed ESGP budget is as follows:

Program	FY 2002-2003 Budget	Proposed FY 2003-2004 Budget	Increase/ (Decrease)
American Red Cross Bay Area	$68,000	$68,000	$0
Asian Women's Shelter	56,000	56,000	0
Volunteer Legal Services Program	60,000	60,000	0
Catholic Charities/ St. Joseph's Village	25,000	25,000	0
Central City Hospitality House	15,000	31,850	16,850
Compass Community Services	50,000	50,000	0
Dolores St. Community Services	48,000	48,000	0
Episcopal Community Services	40,000	40,000	0
Eviction Defense Collaborative	25,000	25,000	0
Friendship House Assoc. of American Indians	36,900	36,900	0
Hamilton Family Center, Inc.	50,000	50,000	0
La Casa de las Madres	77,300	77,300	0
Larkin Street Youth Center	54,000	54,000	0
Metropolitan Community Foundation	47,000	47,000	0
St. Vincent de Paul Society	20,000	20,000	0
Swords to Plowshares	38,600	38,600	0
United Council of Human Services	96,000	96,000	0
Emergency Shelter Pool	28,250	0	(28,250)
MOCD Administrative Costs	43,950	43,350	(600)
Total	$879,000	$867,000	($12,000)

Attachment I, provided by MOCD, contains the FY 2003-2004 ESGP budget and Attachment II, provided by MOCD, contains a list and description of the above programs. MOCD administrative costs for the ESGP are included in the Budget Analyst's review of the MOCD administration budget (see File 03-0639 in the Budget Analyst April 30, 2003 report to the Finance and Audits Committee).

Required Match: HUD requires one-to-one matching funds, totaling $867,000. According to Mr. Phil Arnold of the Department of Human Services (DHS), such matching funds have been budgeted in the proposed FY 2003-2004 DHS budget. Mr. Arnold reports that the source of the

required matching funds is General Fund monies included in the DHS budget for homeless shelters.

Comments:

1. According to Mr. Roger Sanders of MOCD, ESGP recipients are selected through the Request for Proposal (RFP) process. MOCD staff members review submitted proposals and make recommendations to the Citizen's Committee on Community Development. The Citizen's Committee on Community Development conducted a public hearing on March 24, 2003 regarding the Committee's preliminary recommendations for FY 2003-2004 ESGP and Community Development Block Grant (CDBG, see File 03-0639).

2. As noted in Attachment I, the proposed FY 2003-2004 ESGP funding is unchanged from FY 2002-2003, except for (a) a $28,250 reduction due to the elimination of the Emergency Shelter Pool, (b) a $600 reduction in MOCD administrative costs, and (c) $16,850 increase in funding to the Central City Hospitality House. As noted above, FY 2003-2004 ESGP funding of $867,000 is $12,000 less than FY 2002-2003 funding of $879,000.

3. According to Mr. Sanders, Central City Hospitality House, a nonprofit agency, provides case management and emergency shelter to homeless families and case management services to homeless adult males. Mr. Sanders advises that MOCD is proposing $16,850 in additional ESGP funding in FY 2003-2004 to offset reduced State funding of rental and utility expenses to Central City Hospitality House.

Recommendations:

1. Approval of $16,850 in increased Emergency Shelter Grant Program funding for Central City Hospitality House, to offset reduced State funds, is a policy matter for the Board of Supervisors.

2. Approve the balance of the requested funding in the amount of $850,150 ($867,000 less $16,850).

Attachment I

Agency	FY 2002-2003 CDBG Budget	Proposed FY 2003-2004 CDBG Budget	Increase/ (Decrease)	Budget Annlyst's Proposed Reductions	Budget Annlyst's Proposed Reserves	Amount to be Funded	Policy Matter
Emergency Shelter Grant Program							
American Red Cross Bay Area, SF	$68,000	$68,000	$0			68,000	
Asian Women's Shelter	36,856	36,856	0			36,856	
Asian Women's Shelter	19,144	19,144	0			19,144	
BASF/Volunteer Legal Services Program	60,000	60,000	0			60,000	
Catholic Charities /St. Joseph's Village	25,000	25,000	0			25,000	
Central City Hospitality House (Orlando)	15,000	31,850	16,850			15,000	16,850
Compass Community Services	50,000	50,000	0			50,000	
Dolores St Community Services/So Van Ness Loc	44,500	44,500	0			44,500	
Dolores St Community Services/So Van Ness Loc	3,500	3,500	0			3,500	
Episcopal Community Services of SF	40,000	40,000	0			40,000	
Eviction Defense Collaborative	25,000	25,000	0			25,000	
Friendship House Association of American Indian	36,900	36,900	0			36,900	
Hamilton Family Center, Inc	50,000	50,000	0			50,000	
La Casa de las Madres	45,782	45,782	0			45,782	
La Casa de las Madres	31,518	31,518	0			31,518	
Larkin Street Youth Center	54,000	54,000	0			54,000	
Metropolitan Community Foundation	47,000	47,000	0			47,000	
MOCD (5% Admin)	43,950	43,350	(600)			43,350	
St Vincent DePaul Society	20,000	20,000	0			20,000	
Swords to Plowshares	31,400	31,400	0			31,400	
United Council of Human Services (The)	67,600	67,600	0			67,600	
United Council of Human Services (The)	28,400	28,400	0			28,400	
Swords to Plowshares	7,200	7,200	0			7,200	
Emergency Shelter Pool	28,250	0	(28,250)			0	
						0	
TOTAL EMERGENCY SHELTER	$879,000	$867,000	($12,000)	$0	$0	$850,150	$16,850

Emergency Shelter Grant Program

Activity Name and Location	*Program Description*	*2003 Budget*
Emergency Shelter Grants		
This program funds projects and services for homeless individual and families.		
1 . American Red Cross (Bay Area) 1440 Harrison Street	Provide one-time sub-grants to eligible non-disabled single/couples that are at risk of eviction.	$68,000
2 . Asian Women's Shelter 3543 18th Street	Provide homeless prevention services for battered women and their children.	$19,144
3 . Asian Women's Shelter 3543 18th Street	Provide operating support for sheltering battered women and their children.	$36,856
4 . Bar Assoc. of SF Volunteer Legal Services 465 California Street	Provide legal and social services to low-income renters to avoid immiuent loss of housiug.	$60,000
5 . Catholic Charities of the Archdiocese of SF 240 Golden Gate Avenue	Provide rental assistance to very low-income families and single individuals in danger of eviction or moving from transitional housing to permanent housing.	$25,000
6 . Central City Hospitality House 290 Turk Street	Provides shelter and case management services to homeless men each year.	$31,850
7 . Compass Community Services 111 Taylor Street	Provide emergency shelter/food and support services to homeless families to become stable.	$50,000
8 . Dolores Street Community Services 938 Valencia Street	Provide case management and employment advocacy services to homeless working Latino.	$44,500
9 . Dolores Street Community Services 938 Valencia Street	Provide operating expenses for homeless facility serving Latinos.	$3,500
10 . Episcopal Community Services of SF 165 8th Street	Provide shelter and meals to homeless adults	$40,000
11 . Eviction Defense Collaborative, Inc. 433 South Van Ness Avenue	The Eviction Defense Collaborative (EDC) provides legal assistance to tenants facing eviction lawsuits.	$25,000
12 . Friendship House Association of American Indians 333 Valencia Street	Provide temporary shelter in a clean and sober environment for homeless American Indians.	$36,900

Emergency Shelter Grant Program

Activity Name and Location	*Program Description*	*2003 Budget*
13 . Hamilton Family Center, Inc 1525 Waller Street	Provide drop-in emergency shelter/meals for homeless families.	$50,000
14 . La Casa de las Madres 1850 Mission Street	Provide shelter and support services to battered women and their children	$45,782
15 . La Casa de las Madres 1850 Mission Street	Provide operating expenses to run the shelter program for battered women	$31,518
16 . Larkin Street Youth Center 536 Central Avenue	Provide operating costs to shelter under-age homeless youth.	$54,000
17 . Metropolitan Community Foundation 3750 18th Street	Provide shower facility, food, and personal hygiene services to homeless adults on weekends at Mission High School.	$47,000
18 . MOCD/ESG Administration	Provide for administration of ESG program	$43,350
19 . St. Vincent de Paul Society of San Francisco 425 Fourth Street	Provide emergency shelter for battered women and their children	$20,000
20 . Swords to Plowshares Veterans Rights Organization 1063 Market Street	Provide counseling and legal support/claims documentation services to homeless and at-risk veterans.	$38,600
21 . United Council of Human Services 2111 Jennings Street	Provide food-bags, hot meals, Life-Skills training and information & referrals for homeless/at-risk of being homeless individuals and families in the Bayview District.	$96,000
	TOTAL ESG	**$867,000**

Emergency Shelter Grant Program

Activity Name and Location	*Program Description*	*2003 Budget*
Emergency Shelter Grants		
This program funds projects and services for homeless individual and families.		
1 . American Red Cross (Bay Area) 1440 Harrison Street	Provide one-time sub-grants to eligible non-disabled single/couples that are at risk of eviction.	$68,000
2 . Asian Women's Shelter 3543 18th Street	Provide homeless prevention services for battered women and their children.	$19,144
3 . Asian Women's Shelter 3543 18th Street	Provide operating support for sheltering battered women and their children.	$36,856
4 . Bar Assoc. of SF Volunteer Legal Services 465 California Street	Provide legal and social services to low-income renters to avoid imminent loss of housing.	$60,000
5 . Catholic Charities of the Archdiocese of SF 240 Golden Gate Avenue	Provide rental assistance to very low-income families and single individuals in danger of eviction or moving from transitional housing to permanent housing.	$25,000
6 . Central City Hospitality House 290 Turk Street	Provides shelter and case management services to homeless men each year.	$31,850
7 . Compass Community Services 111 Taylor Street	Provide emergency shelter/food and support services to homeless families to become stable.	$50,000
8 . Dolores Street Community Services 938 Valencia Street	Provide case management and employment advocacy services to homeless working Latino.	$44,500
9 . Dolores Street Community Services 938 Valencia Street	Provide operating expenses for homeless facility serving Latinos.	$3,500
10 . Episcopal Community Services of SF 165 8th Street	Provide shelter and meals to homeless adults	$40,000
11 . Eviction Defense Collaborative, Inc. 433 South Van Ness Avenue	The Eviction Defense Collaborativc (EDC) provides legal assistance to tenants facing eviction lawsuits.	$25,000
12 . Friendship House Association of American Indians 333 Valcncia Street	Providc temporary shelter in a clean and sober environment for homeless Amcrican Indians.	$36,900

Emergency Shelter Grant Program

Activity Name and Location	*Program Description*	*2003 Budget*
13 . Hamilton Family Center, Inc 1525 Waller Street	Provide drop-in emergency shelter/meals for homeless families.	$50,000
14 . La Casa de las Madres 1850 Mission Street	Provide shelter and support services to battered women and their children	$45,782
15 . La Casa de las Madres 1850 Mission Street	Provide operating expenses to run the shelter program for battered women	$31,518
16 . Larkin Street Youth Center 536 Central Avenue	Provide operating costs to shelter under-age homeless youth.	$54,000
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20 . Swords to Plowshares Veterans Rights Organization 1063 Market Street	Provide counseling and legal support/claims documentation services to homeless and at-risk veterans.	$38,600
21 . United Council of Human Services 2111 Jennings Street	Provide food-bags, hot meals, Life-Skills training and information & referrals for homeless/at-risk of being homeless individuals and families in the Bayview District.	$96,000
	TOTAL ESG	**$867,000**

Item 7 - File 03-0641

Department: Mayor's Office of Housing

Item: Resolution (a) authorizing the Mayor to accept and expend a grant from the U.S. Department of Housing and Urban Development for a total amount of $8,804,657 for the HOME Program authorized under Title II of the National Affordable Housing Act of 1990, Public Law Number 101-625, and (b) approving the HOME Program description as described in the FY 2003-2004 Action Plan for San Francisco's Consolidated Plan.

Amount: Not to exceed $8,804,657

Source of Funds: Federal Department of Housing and Urban Development (HUD)

Program: Home Investment Partnership (HOME) Program

Grant Period: July 1, 2003 through June 30, 2004

Description: Title II of the National Affordable Housing Act of 1990 (Public Law Number 101-625), authorizes the HOME Program, which provides funds for the acquisition, rehabilitation, and development of privately owned affordable housing.

The Federal Department of Housing and Urban Development (HUD) requires that the City (a) develop a five-year Consolidated Plan for the HOME and Community Development Block Grant (CDBG) Programs, and (b) submit a one-year Action Plan identifying proposed HOME and CDBG program expenditures for the year. The City's Consolidated Plan, previously approved by the Board of Supervisors, is effective for the period from July 1, 2000 through June 30, 2005. The Mayor's Office of Community Development (MOCD) has recommended the (a) FY 2003-2004 Community Development Block Grant (CDBG) Program (see File 03-0639 in the Budget Analyst's April 30, 2003 report to the Finance and Audits Committee), and (b) the FY 2003-2004 Emergency Shelter Grant Program (ESGP) (see File 03-0640 of the Budget Analyst's April 30, 2003, Finance

and Audits Committee report). The MOH has recommended the subject HOME Program for FY 2003-2004. MOCD and MOH will submit the FY 2003-2004 Action Plan, which contains the City's expenditure plan in FY 2003-2004 for CDBG, ESGP, and HOME Program funds, to HUD prior to May 14, 2003, upon Board of Supervisors approval of the three Programs.

The Board of Supervisors previously approved procedures for allocating HOME Program funds in August of 1992 (File 68-92-4.1). The Board of Supervisors revised the procedures in February of 1994 (File 68-94-7) and in December of 2002 (File 02-1920). These procedures outlined broad criteria and the process for allocating the HOME Program funds, including notification procedures to interested parties on the availability of housing funds, evaluation of funding proposals, and criteria for underwriting housing loans. Projects eligible for HOME funding are defined as follows:

(a) Construction of new housing units or rehabilitation of existing housing units, which will be owned and managed by the applicant for HOME funding, and which will be occupied by households with incomes that do not exceed 60 percent, or $54,900 of the median income of $91,500 for a family of four in the San Francisco metropolitan area, established by HUD, or
(b) First-time home ownership assistance for low-income persons with household incomes that do not exceed 80 percent, or $73,200, of the median income of $91,500 for a family of four in the San Francisco metropolitan area, established by HUD.

Budget: The MOH anticipates receiving $8,804,657 in FY 2003-2004, which is $939,657, or approximately 11.9 percent, more than the FY 2002-2003 allocation of $7,865,000. The proposed budget for the HOME Program allocation from HUD is as follows:

Source of Funds

FY 2003-2004 HOME Program		
HOME allocation for housing development projects	$7,773,058	
HOME allocation for administration and other costs	1,031,599	
Total, FY 2003-2004 HOME Program allocation		$8,804,657
Uncommitted from prior years		280,000
Current and expected Program income		960,000
Total Sources		**$10,044,657**

Uses of Funds

Housing Development		
New and ongoing supportive housing projects	$4,310,000	
New and ongoing rehabilitation projects	1,335,000	
New senior housing projects	3,368,058	
Subtotal, New and ongoing projects		$9,013,058
Community Housing Development Organization (CHDO) Administration Program Management Services		
Mission Housing Development Corporation	50,000	
Tenderloin Neighborhood Development Corporation	50,000	
Chinatown Community Development Corporation	50,000	
Subtotal, CDHO Administration Program Management		150,000
Tenant-based rental assistance		50,000
HOME administration		831,599
Total Uses		**$10,044,657**

Required Match: $2,201,164, or 25 percent, of the proposed $8,804,657 HOME grant funds. Mr. Joe La Torre of MOH states that matching funds are available from the Hotel Tax Fund. which are specifically allocated to housing programs and are subject to Board of Supervisors appropriation approval.

Comments: 1. As noted in the table above and as shown in Attachment I provided by the MOH, the MOH proposes to spend $9,013,058 on Housing Development capital projects. The MOH would spend $8,545,000 as follows:

(a) $4,310,000 to construct 98 supportive housing units for the Folsom/Dore Apartments, located at 1346 Folsom Street, and 107 supporting housing units for the West Hotel, located at 145 Eddy Streets,

(b) $1,335,000 as identified in Attachment I for capital improvements and rehabilitation of five existing low-income housing projects, including:
- Fannie Lou Hammer House at 1221 Cortland Street ($70,000),
- Moultrie House, 374 Moultrie Street ($65,000),
- 575 Eddy Street Apartments ($400,000),
- Connecticut Court, 1200 Connecticut Street ($600,000)
- San Cristina, 1000 Market Street ($200,000); and

(c) $3,368,058 to construct 180 senior housing units at the Glide Pavilion Senior Housing at Ellis and Mason Streets.

2. As noted in Attachment II, provided by MOH, total estimated FY 2003-2004 Housing Development Funds for capital projects are $67,248,058, of which $7,773,058, or approximately 11.6 percent are new FY 2003-2004 HOME Program funds included in this proposed request of $8,804,657 as noted in the Source of Funds in the Table above.

3. According to Mr. La Torre, MOH is in compliance with HUD regulations requiring that a minimum of 15 percent of the City's proposed FY 2003-2004 HOME allocation of $8,804,657, or $1,320,699, be reserved for housing developments, sponsored or owned by non-profit Community Housing Development Organizations.

4. MOH has allocated $50,000 each or a total of $150,000 to three non-profit organizations (the Mission Housing Development Corporation, the Tenderloin Neighborhood Development Corporation, and the Chinatown Community Development Center) to provide property management services. This allocation of $150,000 is unchanged from FY 2002-2003.

5. MOH has allocated $50,000 for tenant-based housing assistance, which is provided by Catholic Charities Homeless Prevention Program to assist low-income tenants in avoiding eviction. This allocation of $50,000 is unchanged from FY 2002-2003.

6. MOH has allocated $831,599 for MOH administrative costs for the HOME Program. MOH HOME administrative costs are summarized in the table:

	FY 2002-2003 MOH HOME Administration	Proposed FY 2003-2004 MOH HOME Administration	Increase/ (Decrease)	Percent Increase/ (Decrease)
Salaries and Benefits	$443,986	$569,449	$125,463	28%
Operating Costs	190,650	150,650	(40,000)	(21%)
Professional Services	60,000	91,500	31,500	53%
Subtotal	694,636	811,599	116,963	17%
Other Administration	91,365	20,000	(71,865)	(79%)
Total	$786,501	$831,599	$45,098	6%

- In FY 2003-2004, MOH HOME salaries and benefit costs have increased by 28 percent due to re-allocation of MOH positions formerly funded by CDBG to positions funded by HOME. In FY 2003-2004, total MOH Full Time Equivalent (FTE) positions have increased by 0.25, from 30.00 FTE in FY 2002-2003 to 30.25 FTE in FY 2003-2004.[1]

- The Budget Analyst recommends reducing MOH HOME Administration salary and fringe benefit costs by $68,532, from $569,449 to $500,917. In FY 2003-2004, the proposed MOH Administration budget includes a 3 percent Cost of Living Adjustment (COLA) for salaries and fringe benefit costs equal to 22 percent of salaries. The Budget Analyst recommends reducing salaries and fringe benefits by $68,532, to reflect the actual COLA of one percent, effective June 30, 2003, included in the Memoranda of Understanding (MOU) between the City and the employee organizations, and fringe benefit costs of approximately $4,469 per position for medical and

[1] Total MOH and MOCD FTEs, funded by CDBG and HOME program funds, are 71.25 FTE in FY 2003-2004,compared to 72.00 FTE in FY 2002-2003. In FY 2002-2003, MOCD had 42.00 FTE and MOH had 30.00 FTE, totaling 72.00 FTE. In FY 2003-2004, MOCD transferred 1.0 FTE to MOH, resulting in FY 2003-2004 MOCD FTE count of 41.00 FTE. In FY 2003-2004, MOH received 1.0 FTE from MOCD and reduced 0.75 FTE for the Lead Hazard Reduction (LEAD) program, resulting in a net increase of 0.25 FTE, or a total of 30.25 FTEs. Total FY 2003-2004 MOCD/MOH FTEs are 71.25.

dental benefits plus 7.65 percent of salary for Medicare and Social Security[2].

- In FY 2003-2004, MOH HOME Administration operating costs have decreased by $40,000, resulting from a $20,000 reduction in expenditures to the Department of Telecommunications and Information Systems (DTIS) (see Comment 10) and $20,000 reduction for a one-time automobile purchase in FY 2002-2003.

7. Currently, the MOH has $130,000 in reserved funds to develop an internal MOH program database. The Board of Supervisors previously reserved $80,000 ($30,000 in HOME Program funds and $50,000 in CDBG funds) in FY 2001-2002 and $50,000 ($20,000 in HOME Program funds and $30,000 in CDBG funds). According to Mr. La Torre, the MOH proposes to submit a work order to DTIS to expand the existing MOH database with these previously reserved funds of $130,000 and will request release of the previously reserved $130,000 from the Board of Supervisors in the near future.

8. In FY 2003-2004, MOH has requested $31,500 in new professional services expenditures to cover any additional professional services needed to comply with HUD's requirements for the HOME program. MOH has not identified specific uses of these funds for these funds. Therefore, the Budget Analyst recommends reducing professional services expenditures by $31,500.

9. In accordance with Comments 6 and 8 above, the Budget Analyst recommends that $68,532 in reduced salary and fringe benefit expenditures and $31,500 in reduced professional services expenditures, totaling $100,032, be reserved for reprogramming, subject to Finance and Audits Committee approval. Mr. LaTorre advises that, instead of reserving this $100,032 for reprogramming at a later date, the Mayor's Office of Housing requests that the $100,032 be reprogrammed for the Glide Pavilion Senior Housing project at this time. If

[2] Medicare costs equal 1.45 percent of salary and Social Security costs equal 6.2 percent of salary up to $87,000.

this request is approved, the Glide Pavilion Senior Housing Development Project's current allocation of $3,368,058 would be increased by $100,032 to $3,468,090.

Summary:

The Budget Analyst recommends:

- Reducing the proposed FY 2003-2004 HOME Administration budget by (a) $68,532 for salaries and fringe benefits, as noted in Comments 6 and 9, and (b) $31,500 for professional services, as noted in Comments 8 and 9, for total reductions of $100,032.
- Reprogramming and reserving the above noted $100,032, as discussed in Comment 9. However, as noted in Comment 9, the Department requests that the $100,032 be reprogrammed for the Glide Pavilion Senior Housing Development Project at this time.
- Approve $7,810,067 in requested funds for ongoing programs (see Attachment III).

Approval of $894,558 in increased funding is a policy matter for the Board of Supervisors (see Attachment III).

Recommendations:

1. Amend the proposed resolution to reduce MOH HOME administration expenditures by $100,032 ($68,532 per Comment No. 6 and the Summary above and $31,500 per Comment No. 8 and the Summary above), and place on reserve these recommended reductions, totaling $100,032, and request the MOH to reprogram these funds, subject to release by the Finance and Audits Committee.

2. Approval of $894,558 in increased funding is a policy matter for the Board of Supervisors.

3. Approve $7,810,067 in requested funds for ongoing programs.

Attachment III is a summary of the Budget Analyst's recommendations.

Anticipated HOME-Funded Projects, 2003-04 (as of 4/23/03)

Program	Project Name	Address	Sponsor	Units	Beds	HOME Amount	Use of HOME funds
Supportive Housing	Folsom/Dore Apartments	1346 Folsom	Citizens Housing	98		$2,500,000	New construction
Supportive Housing	West Hotel	145 Eddy	Tenderloin Neigh.Dev.Corp.	107		$1,810,000	Substantial rehabilitation
Senior Housing	Glide Pavilion Senior Hsg	Ellis/Mason	Glide Econ. Dev. Corp.	180		$3,368,058	New construction
Non-Profit Preservation	Fannie Lou Hammer House	1221 Cortland	Bernal Hts. Neigh.Ctr.		6	$70,000	Rehabilitation
Non-Profit Preservation	Moultrie House	374 Moultrie	Bernal Hts. Neigh.Ctr.		10	$65,000	Rehabilitation
Non-Profit Preservation	575 Eddy Apartments	575 Eddy	Asian, Inc.	47		$400,000	Rehabilitation
Non-Profit Preservation	Connecticut Court	1200 Connecticut	Asian Neighborhood Design	10		$600,000	Rehabilitation
Non-Profit Preservation	San Cristina	1000 Market	Community Hsg. Pntrshp.	58		$200,000	Rehabilitation
						$9,013,058	

Anticipated Housing Development Funds for 2003-04 (as of 4/15/03) (including Redevelopment Agency)

Source	New Funds for 2003-2004
Federal Sources:	
HOME	$7,773,058
HOME Progam Income	$750,000
CDBG	$4,500,000
CDBG Program Income	$750,000
Local Sources:	
Affordable Housing Fund (Repayments)	$800,000
Hotel Tax Fund	$4,800,000
Citywide Tax Increment (CTI)	$8,500,000
Bayview Hunters Pt TI	$5,400,000
Mid-Market TI	$5,000,000
Mission Bay TI	$7,200,000
SOMA TI	$12,075,000
Western Addition. TI	$3,900,000
CERF	$100,000
Affordable Housing Bond (Repayments)	$3,700,000
Homeownership Assistance Loan Fund (Repayments)	$2,000,000
TOTAL FUNDS	**$67,248,058**

Proposed Uses of HOME Program funds in 2003-2004 (as of 4/15/03)

Program	Type of Projects	Total Funds
FUNDS AVAILABLE:	Uncommitted from prior years:	$280,000
	Current and expected Program Income:	$960,000
	New Funds 2003-04:	$8,804,657
	TOTAL Funds to be available:	$10,044,657
ALLOCATION OF AVAILABLE FUNDS:		
Supportive Housing	Additional Funds for Pipeline Projects	$4,310,000
Senior Housing	Identified New Projects	$2,900,000
Non-Profit Preservation	Funds for Pipeline Projects	$1,3350,000
Citywide Housing Opportunities	Available for new projects	$468,058
	sub-total for Projects:	$9,013,058
Tenant-based rental assistance		50,000
CHDO Administrative Expenses:	Mission Housing Development Corp.	50,000
	Tenderloin Neighborhood Devel. Corp.	50,000
	Chinatown Community Devel. Center	50,000
Program Administrative Expenses		831,599
	TOTAL:	$10,044,657

Mayors Office of Community Development and Mayor's Office of Housing
Community Development Block Grant Expenditures

Agency	FY 2002-2003 CDBG Budget	Proposed FY 2003-2004 CDBG Budget	Increase/ (Decrease)	Budget Analyst's Proposed Reductions	Budget Analyst's Proposed Reserves	Amount to be Funded	Policy Matter
HOME Investment Partnership Act Program							
Community Housing Corporation administrative costs	$150,000	$150,000	$0			150,000	
HOME Capital Construction Pool	6,878,500	7,773,058	894,558			6,878,500	894,558
MOH HOME administrative costs	694,636	811,599	116,963	100,032		711,567	
Other Admin Costs	91,864	20,000	(71,864)			20,000	
Tenant-based housing assistance	50,000	50,000				50,000	
TOTAL HOME	**$7,865,000**	**$8,804,657**	**$939,657**	**$100,032**	**$0**	**$7,810,067**	**$894,558**

Item 8 - File 03-0689

Department: Public Utilities Commission (PUC)

Item: Ordinance amending Administrative Code Chapter 37 (Residential Rent Stabilization and Arbitration Ordinance) by amending Sections 37.2, 37.3, and 37.8, to provide that landlords may pass through to residential tenants 50 percent of water bill charges attributable to water rate increases resulting from the issuance of PUC Water System Improvement Revenue Bonds authorized by voter approval of Proposition A in the November 5, 2002 election.

Description: The proposed ordinance would amend the Administrative Code to provide that landlords, subject to the Residential Rent Stabilization and Arbitration Ordinance, may pass through to residential tenants 50 percent of water bill charges attributable to water rate increases resulting from the issuance of Proposition A Water System Improvement Revenue Bonds. Proposition A, which was passed by the voters of San Francisco in the November 5, 2002 election, authorized the issuance of $1,628,000,000 in Water System Improvement Revenue Bonds to provide funding for improvements to San Francisco's water system. Proposition A also provided that rates charged to water system customers would be increased over time to repay the Water System Improvement Revenue Bonds. The water system improvements included in the PUC's Capital Improvements Program (CIP), which would be funded by the issuance of Water System Improvement Revenue Bonds, and repaid by increased water rates, are: seismic upgrading and strengthening pipelines, tunnels and other facilities, upgrading the system used to store water and pipe it to the Bay Area, upgrading the water distribution system in San Francisco, meeting future water quality standards and increasing the water system capacity.

Proposition A provided that the Water System Improvement Revenue Bonds could not be issued unless the Residential Rent Stabilization and Arbitration Ordinance, Administrative Code Chapter 37, is amended to provide for the 50 percent pass through of water rate

increases as proposed under this subject ordinance. Under the subject ordinance, landlords would only be able to pass through 50 percent of such charges if the units, subject to the Residential Rent Stabilization and Arbitration Ordinance, are in compliance with any applicable local, State or Federal laws requiring the landlord to install water conservation devices. The proposed ordinance provides that a tenant may file a petition with the Rent Board within one year of the effective date of a passthrough for determination of whether that pass through is in compliance with the Administrative Code. The landlord would be required to install water conservation devices in the units in order to pass through the 50 percent portion of the increased water bill charges.

The subject ordinance would also require that tenants are given notice of any such pass through and that any such pass through would not become part of a tenant's base rent for purposes of calculating allowable rent increases. Under the subject ordinance, tenants would be able to file a hardship application with the Rent Board for relief from all or part of the cost of the pass through. If a tenant's hardship application is granted, the landlord would be required to pay the increase in water bill charges which could not be passed through to the tenant. The proposed ordinance further provides that if a hardship application is granted to a tenant, landlords would be able to use any PUC water rate discount programs to offset the portion of the landlord's increased water bill charges that the landlord cannot pass through to tenants. Mr. Bill Berry of the PUC reports that the PUC does not currently offer such water rate discount programs to landlords, but may choose to do so in the future.

Comments:

1. Construction on the improvements to San Francisco's water system included in the PUC's CIP is scheduled to begin in July 2003 and to be completed in 2016. Mr. Berry advises that in the next few fiscal years, financing of the CIP is expected to be accomplished through the issuance of Commercial Paper. Mr. Berry further advises that the first Revenue Bond issuance is anticipated to occur in FY 2004-2005. However, according to Mr. Berry, the timing and amounts of future issuances of Revenue

Bonds will be determined based on project spending and market conditions, and will take place through 2016. Mr. Berry states that "it is the policy of the PUC to minimize the impact of rate increases on ratepayers and, to that end, it is expected that water rates will be set so that increases are regular and predictable rather than infrequent and large." Mr. Berry reports that, in accordance with Proposition H[1], water rates are frozen until 2006, except as may be required to pay debt service on voter authorized Revenue Bonds, which would include the previously approved Proposition A Water System Improvement Revenue Bonds. Mr. Berry states that a schedule of water rate increases will be developed consistent with the PUC's rate policy and the future issuance of Revenue Bonds.

2. As stated above, the cost of the water system improvements will be funded by the Proposition A Water System Improvement Revenue Bonds, which will be repaid by increased water rates to San Francisco ratepayers and suburban water system users. The Controller's Office estimates that by 2015 the monthly water rates for the average single family residence in San Francisco will increase by an average of approximately $26.42 per month, or 183.1 percent, above the current rate of $14.43 per month, for a total water rate of $40.85 per month. Under the proposed ordinance, landlords would be able to pass through 50 percent of the increased amount in water rates to tenants for residential units subject to the Residential Rent Stabilization and Arbitration Ordinance. Therefore, the Controller's Office estimates that on average, by 2015 the tenants of a single-family residence, subject to the Residential Rent Stabilization and Arbitration Ordinance[2], would pay increased water rates of approximately $13.21 per month (50 percent of the total increase of $26.42). The Controller's Office estimates that by 2015 the water rates for a four unit building in San Francisco, in contrast to a

[1] Proposition H was approved by voters in 1998. It enacted a freeze of water and sewer rates until July 1, 2006, with certain exceptions. The recently passed Proposition E (November 2002) supercedes Proposition H for sewer rates only. Proposition E lifted the sewer rate freeze effective January 3, 2003. The water rater freeze mandated by Proposition H is still in effect.

[2] The provisions of the Residential Rent Stabilization and Arbitration Ordinance do not apply to single-family residences if the tenancy commenced on or after January 1, 1996.

single family residence, will increase by an average of approximately $84.51 per month, or 183.3 percent, above the current rate of $46.10 per month, for a total water rate of $130.61 per month. Therefore, the Controller's Office estimates that on average, by 2015 each of the tenants in a four-unit building would pay increased water rates of approximately $10.56 per month (50 percent of the total increase of $84.51, or $42.255 divided by four). According to Mr. Berry, no water rate increases are scheduled for FY 2003-2004.

3. According to Mr. Joe Grubb of the Rent Board, the subject ordinance will not result in additional administrative costs to the Rent Board for FY 2003-2004 or in the immediate future fiscal years. Mr. Grubb advises that it is difficult to determine if the subject ordinance would result in additional administrative costs to the Rent Board in the long term.

4. Proposition A provided that the Water System Improvement Revenue Bonds for funding the water system improvements "may not be issued unless the Administrative Code Chapter 37 (Residential Rent Stabilization and Arbitration Ordinance) is amended to provide that landlords may pass through to residential tenants 50 percent of the water bill costs attributable to water rate increases resulting from the issuance" of such Water System Improvement Revenue Bonds, as provided for in the subject ordinance. Therefore, such Water System Improvement Revenue Bonds to fund the water system improvements cannot be issued unless the Administrative Code is amended to include the provisions of the subject ordinance.

Recommendation: In accordance with the provisions of Proposition A as previously approved by the electorate, approve the proposed ordinance.

Items 9 and 10 – Files 03-0630 and 03-0617

Department: Public Utilities Commission (PUC)

Item: File 03-0630: Resolution approving the issuance of not to exceed $250,000,000 aggregate principal amount outstanding at any one time of the San Francisco Public Utilities Commission Commercial Paper Notes (Water Series) pursuant to Article V of Chapter 43 of Part 1 of the San Francisco Municipal Code for the purpose of financing certain capital improvements related to the Water Enterprise; approving the maximum interest rate thereon; and related matters.

File 03-0617: Ordinance appropriating $66,075,000 of funding from the sale of commercial paper for capital projects and financing costs pursuant to the San Francisco Public Utilities Commission's Capital Improvement Program for FY 2002-2003.

Amount: File 03-0630: Up to $250,000,000 commercial paper authorization

File 03-0617: $66,075,000 appropriation of commercial paper proceeds

Source of Funds: Commercial Paper Notes, to be repaid with (a) Water Revenue Bonds issued by the PUC, and (b) debt raised by the San Francisco Bay Area Regional Water System Financing Authority.

Background: Commercial paper is a short-term financing instrument used by municipal issuers as bridge financing until long-term financing is issued. It is used on an as-needed basis to meet short-term cash demands. In contrast to 30-year revenue bonds which are generally issued to finance the PUC's capital costs, commercial paper maturities range from one to 270 days. The interest rate of each commercial paper sale is determined on the day of the sale, and varies according to the term and current market conditions. According to Mr. Bill Berry of the PUC, over the past ten years, short-term tax-exempt interest rates have averaged 3.10 percent compared to the average of long-term revenue bond interest rates of 5.80 percent.

Mr. Berry advises that for the calendar year 2002, the average rates were 1.38 percent for commercial paper notes and 5.37 percent for revenue bonds. Commercial paper can be used as a short-term, low-cost source of construction financing prior to the sale of long-term revenue bonds.

On November 4, 1997, voters approved two Water Revenue Bond issues in the total amount of $304,000,000 for Water System Reliability and Seismic Safety Improvements ($157,000,000 – File 60-97-4) and Safe Drinking Water Improvements ($147,000,000 – File 60-97-5).

On June 8, 1998, the Board of Supervisors enacted Ordinance No. 203-98 which authorized the PUC to issue short-term indebtedness, including the issuance of commercial paper, in anticipation of the issuance of revenue bonds authorized by the voters.

On May 17, 1999, the Board of Supervisors approved the issuance of up to $150,000,000 of PUC Commercial Paper Notes (Water Series) to finance water system improvements at a maximum interest rate of 12 percent annually (File 98-2026). This issuance was secured by an annually renewable Letter of Credit[1] and Reimbursement Agreement with a bank syndicate comprising Bayerische Landesbank Gironzentrale and the State Street Bank and Trust Company for the term July 22, 1999 through July 21, 2004.[2] On October 30, 2000, the Board of Supervisors approved an increase in the size of that commercial paper program from $150,000,000 to $250,000,000 (File 00-1789). To accommodate the increased size of the commercial paper program, the PUC added Morgan Guaranty (now J.P. Morgan) to the bank syndicate with whom the PUC has the Letter of Credit and Reimbursement Agreement.

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[1] According to Ms. Karol Ostberg of the PUC, a Letter of Credit is a contractual arrangement with a bank which provides additional security that monies will be available to pay debt service when due.

[2] The PUC selected Bayerische Landesbank Gironzentrale and the State Street Bank and Trust Company bidding together as a syndicate after a competitive bid process held in December of 1999. The PUC received three bids, and selected the bid which offered the lowest fees.

Between 1999 and 2002, the PUC used commercial paper to finance water system reliability, seismic safety, and drinking water improvements. The PUC retired all outstanding commercial paper notes through the issuance of long-term Water Revenue Bonds approved by the Board of Supervisors on May 17, 1999 (in the aggregate amount of $140,000,000 – File 99-0784) and February 19, 2002 (in the aggregate amount of $164,000,000 – File 01-2282). A study prepared in August of 2002 by Kitahata & Company, one of the PUC's financial advisors, concluded that the use of commercial paper between 1999 and 2002 saved the PUC at least $2,700,000 in total debt service in the short term, and another $19,000,000 in total debt service over the long term, for a total nominal debt service savings of at least $21,700,000 over 30 years. This reflects (a) commercial paper's lower interest rates, and (b) the flexibility of a commercial paper program which allows the PUC to raise funds on an as-needed basis, borrowing in installments so that debt is incurred only when funding is needed for capital project spending or when it is otherwise economically beneficial to do so. Ms. Karol Ostberg of the PUC notes that the Kitahata & Company analysis did not include either (a) the costs of Letter of Credit and other fees associated with the commercial paper program, which would reduce the savings, or (b) investment income from unspent bond proceeds, which would increase savings.

On November 5, 2002, voters approved Proposition A which permits the PUC to issue Water Revenue Bonds or other forms of indebtedness in an amount not to exceed $1,628,000,000 for the purpose of financing the acquisition and construction of improvements to the City's local water system and the City's share of the regional water system.[3] The issuance of any form of indebtedness pursuant to Proposition A is subject to the passage of an ordinance amending Administrative Code Chapter 37

[3] The regional water system provides water to the City and the PUC's 29 wholesale customers, who disperse the water to 1.6 million clients in Alameda, San Mateo, and Santa Clara Counties. The PUC has identified $2,913,000,000 of required regional water system improvements. Regional customers would pay 70 percent of the cost ($2,039,000,000) and San Francisco ratepayers would pay 30 percent of the cost ($874,000,000). The local water system delivers water from the regional water system throughout the City and stores a portion of the water locally in City reservoirs. The PUC has identified $715,000,000 of required local water system projects within San Francisco. This would be entirely funded by San Francisco ratepayers.

(Residential Rent Stabilization and Arbitration Ordinance) to permit landlords to pass through to residential tenants 50 percent of the water bill costs attributable to water rate increases resulting from the issuance of water revenue bonds (see File 03-0689 in the April 30, 2003 Budget Analyst's report to the Finance and Audits Committee).

In May of 2002, the PUC approved a $3,628,000,000 Capital Improvement Program for the Water Enterprise. This program comprises 40 local water system and 37 regional water system capital improvement projects designed to replace, repair, or seismically upgrade aging facilities, provide safe water quality, and improve water supply reliability. As noted above, $1,628,000,000 in revenue bonds have been authorized by voters for the City's share of the Capital Improvement Program.

Description:

<u>File 03-0630:</u> This resolution approves the issuance of up to $250,000,000 aggregate principal amount outstanding at any one time of the San Francisco Public Utilities Commission Commercial Paper Notes (Water Series) for the purpose of financing the PUC's Capital Improvement Program for water system projects.

<u>File 03-0617:</u> This ordinance appropriates $66,075,000 of funding from the sale of San Francisco Public Utilities Commission Commercial Paper Notes (Water Series) for the PUC's Capital Improvement Program water system projects. These funds will be used to begin implementation of 20 of the 40 local water system projects and 27 of the 37 regional water system projects contained in the PUC's Capital Improvement Program. The 47 selected projects are listed in Attachment I, provided by the PUC. Attachment I also provides a schedule for the commencement of each phase of all 47 capital improvement projects.

Budget:

A summary budget for the requested $66,075,000 for local and regional water system capital improvement projects is shown in the following table.

Expenditure Category	Estimated Costs	Amount Previously Expended as of April 23, 2003
20 Local water system projects:		
Planning/environmental review	$8,149,000	$363,655
Design	4,549,000	1,119,081
Construction	12,951,000	0
Subtotal:	$25,649,000	$1,482,736
27 Regional water system projects:		
Planning/environmental review	$23,157,000	$2,099,504
Design	9,466,000	138,533
Construction	3,003,000	0
Subtotal:	$35,626,000	$2,238,037
Interest and other financing costs:	4,800,000	$0
TOTAL:	**$66,075,000**	**$3,720,773**

Comments:

1. As noted above, the first Board of Supervisors approval for the issuance for a specific amount of PUC Commercial Paper Notes (Water Series) was on May 17, 1999 (File 98-2026) and the second Board of Supervisors approval was on October 30, 2000 (File 00-1789). Mr. Berry advises that in both cases the issuance of commercial paper was tied to the future issuance of specific water revenue bonds (Propositions A and B approved by the voters on November 4, 1997) which have now been issued in their full amount. Mr. Berry advises that the PUC is now requesting the Board of Supervisors to approve the issuance of new commercial paper tied to a new funding source: Proposition A approved by the voters on November 5, 2002 (File 03-0630).

2. According to Mr. Berry, the PUC would issue commercial paper commencing in July of 2003 to meet Capital Improvement Program spending requirements. Attachment I outlines the PUC's anticipated spending requirements in terms of (a) the 20 local water system projects at a total cost of $25,649,000, and (b) the 27 regional water system projects at a total cost of $35,626,000, for a cumulative cost of $61,275,000. The

$4,800,000 difference between the cumulative project cost of $61,275,000 and the requested appropriation of $66,075,000 is budgeted for interest and other financing costs, as shown in the above table.

3. In a memorandum included as Attachment II, Mr. Berry advises that, in addition to providing a cost-effective means of construction financing on an interim basis, the commercial paper program allows the PUC and its regional customers, through the new San Francisco Bay Regional Water System Financing Authority,[4] "to resolve the issues related to permanent, long-term financing of the [Capital Improvement Program]."

4. Mr. Berry states that the PUC's commercial paper program is not backed by General Fund revenues and, therefore, does not create any exposure to the General Fund.

5. Commercial paper is dealt by investment banking firms which specialize in tax-exempt commercial paper programs. According to Ms. Ostberg, the PUC expects to issue a Request for Proposal for commercial paper dealers in the next few weeks.[5] Ms. Ostberg advises that the selection of commercial paper dealers will be based on an assessment of the quality of services to be provided, the level of experience in related programs, and the fee proposal provided by qualified investment banking firms.

6. Ms. Ostberg advises that the PUC also expects to issue a Request for Proposal for issuing and paying agency services. Issuing and paying agency services are provided by commercial banks which specialize in commercial paper transaction processing. Issuing and

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[4] The San Francisco Bay Area Regional Water System Financing Authority was created under Senate Bill 1870 to, among other things, issue revenue bonds to fund capital improvements to the regional water system. Senate Bill 1870 also mandates that the PUC report to the San Francisco Bay Area Regional Water System Financing Authority on its progress in implementing the Capital Improvement Program. The first meeting of the 27-member The San Francisco Bay Area Regional Water System Financing Authority was held on April 3, 2003.

[5] According to Ms. Ostberg, commercial paper dealers are responsible for finding investors. Ms. Ostberg anticipates that the PUC will select three commercial paper dealers, and these dealers will act as brokers between the PUC and its commercial paper investors. If the PUC's commercial paper dealers are unable to find investors, they will underwrite the commercial paper for up to 30 days (see the section on "CP Program Risks" in Attachment II).

paying agency services include paying principal and interest on commercial paper to commercial paper investors when due, drawing on the Letter of Credit when required, and managing proceeds of commercial paper sales in compliance with program and legal requirements. Ms. Ostberg states that an issuing and paying agency would assist the PUC to make the correct payments to investors when commercial paper matures. Ms. Ostberg advises that the PUC, through its financial advisors, will send its Request for Proposals to an estimated eight major United States commercial banks which provide specialty issuing and paying agency services to governmental customers. Ms. Ostberg advises that the selection of a commercial bank to provide issuing and paying agency services will be based on an assessment of the quality of services to be provided, the level of experience in related programs, and the fee proposal provided by qualified commercial banks.

7. The PUC would maintain its current annually renewable Letter of Credit and Reimbursement Agreement with Bayerische Landesbank Gironzentrale, the State Street Bank and Trust Company, and J.P. Morgan, and the maximum allowable interest rate for the issuing of commercial paper would remain unchanged at 12 percent. According to Ms. Ostberg, the PUC and its financial advisors have determined that it is in the PUC's best interests to keep in place the existing banks with whom PUC has its Letter of Credit and Reimbursement Agreement, rather than issue a Request for Proposals for a new team of banks. Ms. Ostberg advises that for reasons unique to individual banks and their countries of origin, the number of banks who provide Letters of Credit to support tax-exempt issues has decreased in the last few years. Further, due to the state of the economy, those banks that are interested in providing such Letters of Credit have indicated an unwillingness to assume more financial exposure in the State of California. Both of these factors have served to generally increase the fees associated with new Letters of Credit.

Ms. Ostberg notes that the City has the option of using other financial institutions at any time, subject to certain notice and City contracting requirements.

8. Mr. Berry advises that according to *The Bond Buyer* publication, 30-day tax-exempt commercial paper currently has a 1.05 percent interest rate, compared to 1.45 percent a year ago.

9. As stated previously, the PUC has already expended $3,720,773 on the first 47 water system projects of the PUC's Capital Improvement Program, comprising $1,482,736 on the 20 local water system projects and $2,238,037 on the 27 regional water system projects. Mr. Berry advises that the $3,720,773 was funded from PUC revenues, Proposition A and B revenue bonds, and prior 1996 bond funds, all previously appropriated by the Board of Supervisors.

10. Although the PUC has funding plans for $66,075,000 of the Commercial Paper Program through FY 2003-2004, Ms. Ostberg advises that the proposed commercial paper authorization provides for up to $250,000,000 in order to accommodate potential issuance requirements over the five year commercial paper program term. Ms. Ostberg states that the PUC only issues commercial paper in the amounts required for actual expenditure on the Capital Improvement Program.

Recommendation: Approve the proposed resolution (File 03-0630) and the proposed ordinance (File 03-0617).

SFPUC Capital Improvement Program 2002/2003 and 2003/2004 Local Project Descriptions, Costs and Schedules

Local Project Title	Planning	Env Rev	Design	Const	Scope	Total Supplemental Cost
ummit Reservoir Seismic Upgrade	Jul-02	Jan-03	Sep-02	Dec-03	Rehabilitate and seismically upgrade the reservoir.	
	$164,000	$170,000	$248,000	$5,154,000		$5,736,000
unset Circulation Improvements	Jul-02	Aug-02	Sep-02	Oct-03	Increase the reliability of the distribution system.	
	$35,000	na	na	$4,606,000		$4,641,000
a Grande Tank Seismic Upgrade	Jul-02	Aug-02	Aug-02	Dec-03	Improve the reliability of the storage facility.	
	$31,000	$10,000	$30,000	$707,000		$778,000
rocker Amazon Pump Station Upgrade	Jul-02	Jan-03	Apr-03	Sep-03	Upgrade existing pump station for increased system reliability.	
	$19,000	na	$175,000	$1,709,000		$1,903,000
incoln Park Pump Station Upgrade	Jul-02	Aug-02	Apr-03	Sep-04	Replace the existing pump station with new in order to meet established criteria.	
78	$44,000	na	$171,000	na		$215,000
incoln Park Tank Seismic	Jul-02	Aug-02	Jul-03	Sep-04	Replace the existing tank with new in order to meet established criteria.	
	$39,000	na	$152,000	na		$191,000
incoln Way Transmission Line	Jul-02	Sep-02	Sep-02	Jun-04	Increase reliability of the area's transmission system.	
	$117,000	$107,000	$477,000	$1,808,000		$2,509,000
ire Protection at CDD	Jul-02	Jul-02	Jul-03	Jul-04	Provide fire detection system at CDD Administration Building.	
	$38,000	na	$260,000	na		$298,000
orest Hills Tank Rehabilitation & Seismic	Jan-03	Jan-03	Jul-03	May-04	Rehabilitate and seismically upgrade the existing tank to conform to established criteria.	
	$59,000	na	$285,000	$262,000		$606,000
ey Motorized & Other Critical Valves	Jan-03	Jul-03	Oct-03	Mar-05	Replace existing valves with motorized valves at various locations.	
	$50,000	$81,000	$1,336,000	na		$1,467,000

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otrero Heights Tank Seismic	Jan-03	Jan-03	Oct-03	Mar-05	Replace the existing tank with new in order to meet established criteria.	
	$12,000	na	$310,000	na		$322,000
otrero Heights Pump Station Upgrade	Apr-03	Jul-03	Oct-03	Mar-05	Replace the existing pump station with new in order to meet established criteria.	
	$15,000	$6,000	$236,000	na		$257,000
otrero Heights Reservoir Rehab	Jun-03	Jun-03	Nov-03	Mar-07	Rehabilitate and seismically upgrade the reservoir.	
	$114,000	$69,000	$838,000	na		$1,021,000
roundwater Projects	Jun-03	Jun-04	Aug-05	Jan-07	Implement goals and policies of Ground Water Master Plan.	
	$1,418,000	$400,000	na	na		$1,818,000
orest Knolls Pump Station Upgrade	Jun-03	Jul-03	Oct-04	Mar-06	Replace the existing tank with new in order to meet established criteria.	
	$32,000	$67,000	na	na		$99,000
ummit Pump Station Upgrade	Jun-03	Jul-03	Jan-04	Jun-05	Replace the existing pump station with new in order to meet established criteria.	
	$62,000	$35,000	$429,000	na		$526,000
orest Knolls Tank Seismic	Sep-03	Sep-03	Mar-04	Mar-06	Replace the existing tank with new in order to meet established criteria.	
	$23,000	$14,000	$129,000	na		$166,000
ross Town Transmission	Oct-03	Oct-03	Jul-04	Apr-06	Improve the reliability of the transmission system.	
	$171,000	$302,000	na	na		$473,000
kyview Aqua Vista Pump Station Upgrade	Mar-04	Mar-04	Aug-05	Mar-07	Replace the existing pump station with new in order to meet established criteria.	
	$16,000	$5,000	na	na		$21,000
ecycled Water Projects	Feb-04	Feb-04	Sep-07	Jul-09	Implement goals and policies of Recycled Water Master Plan.	
	$2,000,000	$602,000	na	na		$2,602,000
					TOTAL LOCAL PROJECTS	$ 25,649,000

SFPUC Capital Improvement Program 2002/2003 and 2003/2004 Regional Project Descriptions, Costs and Schedules

Regional Project Title	Planning	Env Rev	Design	Const	Scope	Total Supplemental Cost
Lower Crystal Springs Dam Improvement	Jan-03	Jan-03	Jun-11	Dec-12	Retrofit existing dam so the dam will pass the Probable Maximum Flood as mandated by Calif. Dept. of Safety of Dams, and to restore 2.3 billion gallons of storage capacity.	
	na	$554,000	na	na		$554,000
Alameda Creek Fishery Enhancement	Aug-02	Dec-03	Jan-06	Jan-08	Improve the Alameda Creek Fishery to meet Department of Fish and Game code.	
	$572,000	$100,000	na	na		$672,000
Sunset Reservoir Upgrade	Mar-00	Jul-03	Oct-02	Apr-05	Seismic upgrade and improvement to North Basin.	
	na	$50,000	$1,988,000	na		$2,038,000
Crystal Springs Bypass Tunnel	Jan-03	Oct-03	Mar-04	Aug-06	Replace existing Crystal Springs bypass pipeline with a tunnel to significantly increase the reliability of the facility along with the restoration of the Polhemus Creek.	
	$240,000	$272,000	$1,299,000	na		$1,811,000
BDPL Nos. 1 & 2 Repair Pipe Bridge	Sep-02	Aug-03	Mar-09	Mar-11	Seismic rehabilitation, replacement, recoating of the pipe bridge and BDPL #s 1 and 2 and repair of interior lining and caissons.	
	$62,000	$202,000	na	na		$264,000
Hetch Hetchy Advanced Disinfection - UV	Apr-03	Dec-03	Jan-06	Feb-08	Provide improvements to treatment plants in order to optimize treatment system performance.	
	$980,000	na	na	na		$980,000
Crystal Springs PS & CS-SA PL Cap.	Apr-03	Jan-04	Jan-06	Jun-08	Improve reliability and hydraulic capacity for the transmission of water to the HTWTP.	
	$1,038,000	na	na	na		$1,036,000
Irvington Tunnel Alternatives	Jul-02	Sep-03	Sep-06	Feb-08	The analysis of new facilities to improve system reliability, capacity, and operational redundancy.	
	$700,000	$630,000	na	na		$1,330,000

Regional Project Title	Planning	Env Rev	Design	Const	Scope	Total Supplemental Cost
Bay Division Pipeline Hydraulic Capacity	Apr-03	Jan-04	Jan-06	Jun-09	Provide system reliability and sufficient capacity to deliver SFPUC water supplies through the BDPL.	
	$850,000	$2,000,000	na	na		$2,850,000
Standby Power Facilities - Various Loc	May-03	May-03	Jul-03	Jun-04	Provide emergency backup power supply at HTWTP, Millbrae, and various valve lots.	
	$85,000	na	$200,000	$1,556,000		$1,841,000
Calaveras Dam Replacement	Nov-02	Dec-02	Jan-04	Jan-06	Rehabilitate the dam to meet DSOD regulations.	
	$146,000	$415,000	$7,332,000	na		$7,893,000
Sunol Quarry Reservoirs	Aug-03	Jan-04	Jan-12	Jun-13	Increase the water storage capacity of the Alameda watershed through use of the existing quarry pits.	
	$125,000	na	na	na		$125,000
Lawrence Livermore Filtration Facility	Nov-02	Sep-03	Feb-04	Mar-05	Provide a water treatment facility for potable water supply to LLNL.	
	$26,000	$53,000	na	na		$79,000
SJPL No. 4	Jul-03	Jan-04	Jan-06	Nov-08	Improvement of the reliability and transmission capacity of SJPL #4.	
	$1,553,000	$961,000	na	na		$2,514,000
Enlarge Sunol Treatment Plant Capacity	Jul-03	Jan-04	Jan-06	Sep-07	Increase the reliability and capacity of the filtration capacity at SVWTP.	
	$1,854,000	$146,000	na	na		$2,000,000
HTWTP Long Term Improvements	Jul-03	Oct-12	Mar-13	Apr-14	Investigate water quality regulations, current and future service needs, operational flexibility, and emergency response capability to determine the recommended plant capacity in order to specify needed improvements.	
	$1,000,000	na	na	na		$1,000,000

Regional Project Title	Planning	Env Rev	Design	Const	Scope	Total Supplemental Cost
HTWTP Short-Term Improvement Phase A	Apr-03	Jun-03	Dec-03	Feb-06	Provide filter improvement to reliably operate at lows greater than 120 mgd for extended periods of time.	
	$190,000	na	$1,658,000	na		$1,848,000
HTWTP Short-Term Improvement Phase B	May-03	Oct-08	Feb-09	Aug-08	Provide flocculation / coagulation improvements to reliably operate at flows greater than 120mgd for extended periods of time.	
	$35,000	na	na	na		$35,000
SVWTP Treated Water Reservoir	May-03	na	na	na	Increase the capacity of the treated water storage in order to provide balance of the input to the SVWTP as required by the California Department of Health Services.	
	$2,700,000	na	na	na		$2,700,000
Seismic Upgrade of BDPL @ Hayward Fault	May-03	Oct-03	Oct-06	Jul-07	Seismic upgrade of BDPL #s 1, 2, 3, and 4 where they cross the Hayward Fault, and installation of shutoff stations and bypass pipeline.	
	$253,000	$471,000	na	na		$724,000
Crystal Springs #2 PL	Apr-04	Apr-04	May-08	Sep-08	Upgrade the facility to meet California Department of Health Services criteria.	
	$182,000	$130,000	na	na		$312,000
San Andreas Pipeline #3	Apr-04	Apr-04	Feb-05	Jan-07	Improve the reliability and capacity of the transmission system.	
	$129,000	$38,000	na	na		$167,000
Pulgas Balancing Reservoir Rehabilitation	Jan-04	na	na	Mar-04	Improve velocity and mixing in reservoir, and rehabilitation of reservoir.	
	$300,000	na	na	$575,000		$875,000
Cross Connection Controls	Aug-03	Aug-03	May-04	Sep-08	Inspect, test, and evaluate drinking water transmission system for cross connections and correct deficiencies.	
	$250,000	$50,000	$263,000	na		$563,000

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Regional Project Title	Planning	Env Rev	Design	Const	Scope	Total Supplemental Cost
Pipeline Repair Plan & Readiness	May-03	Jul-03	Sep-03	na	Establishment of an emergency response plan for repair and operations of the regional water network.	
	$210,000	$70,000	$1,000,000	na		$1,280,000
Water System Automation - Hetch Hetchy	Jul-03	Jul-03	Dec-03	Sep-05	Provide for the increased use of automation, remote control, and monitoring of the raw water system.	
	$17,000	$11,000	$33,000	na		$61,000
Early Intake Reservoir Spillway	Jul-03	Jul-03	Jan-04	Jun-06	Rehabilitate spillway and increase its capacity as well as improve the safety of the dam to meet DSOD regulations.	
	$21,000	$13,000	$40,000	na		$74,000
					TOTAL REGIONAL PROJECTS	$ 35,626,000

SFPUC
Water
Hetch Hetchy Water & Power
Clean Water

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MEMORANDUM

DATE: April 22, 2003

TO: Harvey Rose, Budget Analyst

FROM: Bill Berry, Assistant General Manager for Business Services, SFPUC

SUBJECT: SFPUC's Commercial Paper Program

The SFPUC is seeking Board of Supervisors approval to reinstate its $250 million commercial paper program. This memo is intended to provide information on the commercial paper (CP) program to assist you and your staff in evaluating this request.

SFPUC has received mandates on several levels to proceed aggressively with the implementation of the capital improvement program (CIP). These mandates include:

- voter authorization to issue debt
- state legislation creating an alternative means of financing regional water system improvements
- state legislation creating a demanding schedule of project completion and reporting requirements
- job creation in the midst of a period of severe economic downturn

Consistent with these mandates and with the CIP approved by the Commission in May 2002, SFPUC is seeking appropriation of $66.1 million to fund 47 projects through FY 2004. The reinstatement of the CP program would create a flexible, low-cost mechanism to finance these projects.

CP Program Benefits

The principal benefits of the CP program are flexibility in the timing of debt issuance, a reduction in the amount of debt that needs to be issued to fund the projects during FY 2004 and beyond, and a reduction in debt service attributable to financing these projects. These benefits stem from three factors.

- CP provides flexibility in financing a major construction program such as the SFPUC's CIP. The ability to issue CP when it is actually needed allows for adjustments in financial planning to respond to inevitable changes in construction schedules and costs. Such adjustments can be made to avoid financing related costs before it is necessary. By contrast, once bonds are sold, their repayment is inflexible regardless of any changes in construction schedules or costs.
- On average, over the last 10 years, interest rates associated with CP have been 2.70 percent less than interest rates for long-term fixed rate bonds. In today's market, this spread has widened considerably. According to the April 22, 2003 "Bond Buyer",

today's 30-day commercial paper rates are 1.20 percent compared to the revenue bond index of 5.16 percent.

- CP can be issued in relatively small increments (eg., $5 million) and need not be issued until it is needed to meet project spending needs. By contrast, long-term bonds are typically issued in large amounts (e.g., $50 million or greater) to fund projects over the course of several years.

CP Program Risks

Essentially, there are two types of risk that can affect the benefits derived from the use of CP to provide construction financing.

- ***General Market Risk.*** The use of CP subjects the SFPUC to the risk that long-term bonds issued in the future to repay CP may exceed the interest rates currently available for long-term bonds. While this is a real risk, it should be kept in perspective.
  - This risk exists for all financings, including SFPUC bond issues. It is always possible, with hindsight, to pick a date when the issuance of debt may have been more favorable than that which was ultimately selected.
  - While it is possible for interest rates to increase, it is also possible for the reverse to be true - that the interest rates on bonds to refund outstanding CP will be lower than current long-term rates.
  - Given the size of the SFPUC's CIP, the SFPUC may be issuing an average of over $275 million in bonds annually for the next 13 years; therefore, the SFPUC will likely need to issue bonds at times when rates are higher than current rates. CP and other forms of indebtedness, such as long-term variable-rate bonds, are tools to diversify SFPUC's debt portfolio thereby mitigating the effect of fluctuating interest rate environments over the years.

- ***Structural Risk.*** Another type of risk involves events which, if they were to occur, could limit the marketability of SFPUC's CP, or SFPUC's ability to issue long-term debt to refund outstanding CP. Examples of such events include: a major earthquake; a severe financial downturn affecting SFPUC's ability to meet its obligations; CP dealer failure to perform; and the general shutdown of financial markets, such as occurred for a brief time after September 11, 2001. Mitigation of structural risk is accomplished by:
  - The Dealer Agreement contractually requires the CP dealers to inventory SFPUC's CP if the dealers are otherwise unable to place the paper.
  - The CP program is supported by a Letter of Credit issued by a syndicate of banks headed by Bayerische Landesbank Gironzentrale, which provides for the purchase of any unmarketable CP by the bank. This assures that the investor is paid in a timely manner and will result in a loan between SFPUC and the bank wherein SFPUC agrees to repay the loan under terms pursuant to the Letter of Credit and Reimbursement Agreement.

Comparable CP Programs

Commercial paper was first developed in the 1800's, and has been widely used by U.S. corporations (approximately $1.1 trillion outstanding at the end of 1998). The tax-exempt commercial paper market was established more recently, but has attracted widespread use. The total amount of authorized tax-exempt commercial paper is close to $100 billion. Commercial paper is especially attractive to state governments for cash flow financing and issuers with large capital programs, including water, wastewater and electric utilities.

The State of California has used commercial paper for several years. The current authorized amount is $1.5 billion. In the City and County, the Airport Commission and Board of Supervisors have authorized the issuance of up to $400 million in commercial paper by the San Francisco Airport.

The following table identifies the current Commercial Paper Programs established by comparable California governmental agencies:

Name of Issuer	Authorized Amount
Metropolitan Water District	$400 million
Los Angeles Wastewater*	400 million
East Bay Municipal Utility District	250 million
California Department of Water Resources*	150 million
San Diego County Water District	250 million

* As of FY 2000

Regional Financing Authority

State legislation enacted in the fall of 2002, SB1870, created a Regional Financing Authority comprised of representatives of SFPUC's 28 wholesale customers. This entity recently had its inaugural meeting and it is likely that defining its role, if any, in financing the CIP will take some time. In any event, the legislation requires that the Authority and San Francisco enter into a contract prior to the Authority issuing debt to finance any portion of the CIP. Given the complexity of such an arrangement, this contract is likely to take one to two years to negotiate. In the meantime, consistent with SFPUC's mandates, SFPUC expects to finance the CIP, initially through the issuance of CP, on behalf of its local and wholesale customers. This CP could be refunded by:

- Revenue bonds issued by SFPUC, in which case SFPUC would be reimbursed for capital expenditures as per the terms of the Master Water Sales Agreement;
- Revenue bonds issued by the Regional Financing Authority; or
- A combination of both.

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If you have any questions or desire additional information, please email me at wberry@sfwater.org or call me at (415) 554-2457.

Item 11 - File 03-0538

Note: At its February 26, 2003 meeting, the Finance and Audits Committee approved (1) continuation of the PUC's Contract Year 3 with the Water Infrastructure Partners from March 1, 2003 to April 30, 2003 (File 03-0266), and (2) the appropriation of $7,000,000 for Contract Year 3 (File 03-0245), reserving $5,188,000 of that amount. The Finance and Audits Committee requested the PUC to return to the Finance and Audits Committee for approval of the balance of Contract Year 3 (May 1, 2003 to December 21, 2003) and the release of $5,188,000 of reserved funds, once (a) the contract has been amended by the PUC to request that all future performance fee payments to Water Infrastructure Partners are subject to Board of Supervisors approval, and (b) the PUC and International Federation of Professional and Technical Engineers (IFPTE), Local 21 had resolved various issues raised by the union.

Department: Public Utilities Commission (PUC)

Item: Resolution approving the Public Utilities Commission's approval of Amendment No. 2 to Contract No. CS-524, Program Management Services, changing the designated consultant's title, name references, and setting the criteria for the payment of performance fees; and approving the renewal of Contract No. CS-524 with the Water Infrastructure Partners for the balance of the third year, from May 1 to December 21, 2003; and approving the release of Contract Year 3 reserved funds of $5,188,000.

Amount of Reserved Funds: $5,188,000

Source of Reserved Funds: Monies previously appropriated by the Board of Supervisors from the Water Department, Hetch Hetchy, and Clean Water Fund Balances.

Description: On August 28, 2000, the Board of Supervisors approved a four-year contract between the PUC and the San Francisco Water Alliance for the San Francisco Water Alliance to provide program management services for the PUC's $4.6 billion Capital Improvement Program (Board Resolution 754-00). The original program management services contract with the San Francisco Water Alliance

envisaged a $4.6 billion Capital Improvement Program comprising (a) approximately $3.6 billion for water capital improvement projects, and (b) approximately $1 billion for clean water capital improvement projects. Since that time, detailed planning has focussed on the $3.6 billion for water capital improvement projects and Water Infrastructure Partners is providing program management services for that portion of the total Capital Improvement Program. The final clean water capital improvement program is still being considered by the PUC.

The four-year contract, in an amount not to exceed $45,000,000, is subject to annual Board of Supervisors approval. On June 17, 2002, during Contract Year 2 (September 22, 2001 through September 21, 2002), the Board of Supervisors approved the assignment of the subject contract from the San Francisco Water Alliance to Water Infrastructure Partners, a joint venture consisting of Jacobs Civil, Inc. and Primus Industries, Inc. (Board Resolution 98-02).

This proposed resolution would:

- Approve Amendment No. 2 to Contract No. CS-524 between the PUC and Water Infrastructure Partners (see Comment No. 1).
- Authorize continuation of the balance of Contract Year 3 (May 1, 2003 to December 21, 2003).
- Release reserved funds in the amount of $5,188,000 for Contract Year 3.

Budget: During the full Contract Year 3, from December 22, 2002 to December 21, 2003, the PUC proposes to expend (a) an amount not to exceed $12,000,000 under the contract with Water Infrastructure Partners, and (b) $1,000,000 on managing the subject contract with PUC personnel, as shown in the table below.

Proposed Contract Year 3 Expenditures (December 22, 2002 – December 21, 2003)	Estimated Amount	Total Budget	Amount Expended as of 03/28/03
Water Infrastructure Partners			
Program Management Office (PMO)[1]			
Contract oversight and administration	$900,000		$267,725
Work plan development	150,000		37,579
Staff and organization development (to 07/01/03)	150,000		54,957
CIP and environmental planning	1,000,000		83,171
Communications and public information	400,000		63,609
Diversity program support (to 06/01/03)	100,000		48,279
Program controls and reporting	1,550,000		132,949
Cost estimating database	200,000		903
Engineering practices	200,000		27,638
Records management	200,000		15,384
Graphic design, audio/visual support (to 06/01/03)	50,000		636
Quality assurance, quality control planning	200,000		43,735
Construction management plan	300,000		30,572
Program Management Reserve (10 percent)	600,000		0
Subtotal:		$6,000,000	$807,137
Water Infrastructure Partners			
Project Management Contract Services (PMC)[2]			
Specific capital improvement project-related work	$6,000,000		
		6,000,000	$0
TOTAL CONTRACT YEAR 3 COST:		$12,000,000	$807,137
PUC costs of managing the contract			
1.5 FTE = 2,000 hours @ $100/hour	$200,000		$70,000
Two part-time staff = 1,500 hours @ $100/hour	150,000		0
Audit	100,000		60,000
Supplies	100,000		30,000
Furniture and computers	75,000		
Printers, fax machines, reproduction costs	75,000		
Insurance	300,000		
Subtotal:		$1,000,000	$160,000
TOTAL:		$13,000,000	$967,137

[1] The Contractor's Program Management Office (PMO) task includes Capital Improvement Program implementation, PUC staff training, and management and administrative services common to the entire program.

[2] Project Management Contract Services (PMC) represents specific Contractor work on the capital improvement projects which the Contractor performs once it has received specific task orders from the PUC. PMC work includes (a) the alternative analysis performed on each project, (b) construction support, (c) support for the development of the Clean Water Master Plan, and (d) specific projects such as the Reliability Study project and the Crystal Springs Bypass Tunnel project.

The $6,000,000 in Program Management Office (PMO) costs and $1,000,000 in PUC contract management costs, for a total of $7,000,000 are being funded by the Water Department's Enterprise Fund ($5,600,000), Hetch Hetchy's Fund ($560,000), and the Clean Water Fund ($840,000).

The balance of $6,000,000 ($13,000,000 less $7,000,000) for project management contract service (PMC) costs will be funded by capital improvement project budgets and commercial paper notes under a companion resolution and ordinance being considered by the Finance and Audits Committee (see Files 03-0630 and 03-0617 in the April 30, 2003 Budget Analyst's report to the Finance and Audits Committee).

Comments:

1. At its February 26, 2003 meeting, the Finance and Audits Committee requested that the language in Contract No. CS-524 concerning performance fee payments be amended by the PUC so that all future performance fee payments to the Water Infrastructure Partners will be subject to Board of Supervisors approval, consistent with Board of Supervisors Resolution 868-01. In order to comply with this Board of Supervisors request, the PUC has amended Section 5A (subject Second Amendment) of the PUC's contract with Water Infrastructure Partners by adding the following language:

> "Beginning with the third year of the Contract, an annual performance review will be conducted by the City Staff and verified by an Independent Review Panel (IRP), selected by the City and drawn from the private sector. The City and Consultant shall establish a mutually agreeable evaluation process. The evaluation process shall include evaluation criteria, performance criteria, rating methodology, selection of evaluators, review and payment schedule at the beginning of each contract year, but no later than 30 days after the start of the task order. The City will evaluate Consultant's performance and make a determination regarding the amount of said fee to be paid.

"After the City's evaluation, the IRP will produce a report, which will include a verification of the City's evaluation of the Consultant's performance. In the event a discrepancy is found between the SFPUC staff and IRP's findings, then the IRP's findings will be forwarded to General Manager for adoption as the final evaluation. Prior to payment of any fee, the report of the IRP will be transmitted to the Board of Supervisors, as part of the Board of Supervisors annual review of the Consultant's performance. The Board of Supervisors action to release funding for the continuation of this Agreement, shall constitute their concurrence for the payment of previous year's performance fees."

2. Although Mr. George Wong of the City Attorney's Office advised the Budget Analyst that the above-noted language amending Contract No. CS-524 with Water Infrastructure Partners (Second Amendment) would require that future performance fee payments to the Water Infrastructure Partners be subject to Board of Supervisors approval <u>prior</u> to the PUC's payment of any performance fees to Water Infrastructure Partners, Mr. Wong recommends that the following clarification language be added to the last sentence of Section 2(d) of the Second Amendment quoted above: "... which fees shall not be paid without such action." According to Mr. Wong, this additional language clarifies the Second Amendment's intent that no performance fees should be paid to Water Infrastructure Partners without the prior approval of the Board of Supervisors. Mr. Wong advises that the PUC General Manager concurs with the insertion of this clarification language and Mr. Bajwa advises that the Contractor concurs also. Since this proposed additional language clarifies the language which has already been approved by the PUC, Mr. Wong advises that the PUC General Manager can sign the Second Amendment with this additional language incorporated without having to go back to the PUC for approval. Ms. Spanjian states that the PUC General Manager has agreed to sign the amended Second Amendment.

3. The Second Amendment to Contract No. CS-524 also updates (a) the contractor's name from the San Francisco

Water Alliance to Water Infrastructure Partners, (b) the names of the joint venture partners from Bechtel Infrastructure Corporation, Sverdrup Civil, Inc., and The Jefferson Group to Jacobs Civil, Inc. and Primus Infrastructure, Inc., and (c) the contractor's Program Director from Dr. John Kluesener to Mr. Phillip Kohne.

4. At the February 26, 2003 Finance and Audits Committee meeting, the International Federation of Professional and Technical Engineers (IFPTE), Local 21 reiterated its concerns about Contract No. CS-524 and the Joint Union-City Committee comprising IFPTE, Local 21 and PUC representatives. Attachment I, provided by the PUC, summarizes the actions taken by the PUC since February 26, 2003 to address IPFTE, Local 21's concerns.

5. Mr. David Novogradsky of IFPTE, Local 21, advises that there remain outstanding issues with regard to the Joint Union/City Committee (JUCC). According to Mr. Novogradsky, Federal Mediation and Conciliation Service and State of California Mediation/Conciliation Service facilitators met with union and PUC representatives on April 14, 2003, but Mr. Novogradsky advises that the PUC was not represented at that meeting by senior PUC decision-makers. Therefore, a further meeting between the Federal Mediation and Conciliation Service, the State of California Mediation/Conciliation Service, union leadership, and PUC leadership, including the PUC General Manager, has been scheduled for May 21, 2003 to discuss the future course of the JUCC, according to Mr. Novogradsky. In Mr. Novogradsky's opinion, JUCC meetings are necessary to provide a forum for the union and the PUC to jointly determine future Capital Improvement Program staffing needs so that a rational staffing plan can be developed. To date, the PUC has not formally reviewed the union's proposed staffing plan, according to Mr. Novogradsky. Further, the JUCC would provide an important forum in which to discuss future wage and employment conditions for PUC staff related to capital projects, if the proposed "Project Labor Agreement" is incorporated into IFPTE, Local 21's new Memorandum of Understanding with the City.

6. Mr. Novogradsky will be attending the April 30, 2003 Finance and Audits Committee meeting. At this time, Mr. Novogradsky advises that IFPTE, Local 21 recommends that the Finance and Audits Committee approve the proposed extension of Contract Year 3 only if all non-project management, non-program management, and non-construction management services (including training, public relations, and diversity services) are deleted from the contract. According to Mr. Novogradsky, such services are clearly within the purview of City staff and should not be performed by Water Infrastructure Partners.

7. According to Mr. Novogradsky, the primary recommendation of IFPTE, Local 21 is to rescope the PUC's program management service needs for the PUC's Capital Improvement Program and then conduct a new Request for Proposals process excluding the services noted above in Comment No. 6.

8. Attachment II, provided by Mr. Surinderjeet Bajwa of the PUC, summarizes:

- The Contract Year 3 work completed between December 22, 2002 and April 22, 2003 by Water Infrastructure Partners.

- The work to be completed by Water Infrastructure Partners during the balance of Contract Year 3, from May 1 through December 21, 2003.

- The PUC's measurement of Water Infrastructure Partners' performance during Contract Year 3. Mr. Bajwa states in Attachment II that "The PUC team accepts the quality and performance (schedule and cost) of this work" and describes the performance measurement process used by the PUC. Attachment II provides specific examples of Water Infrastructure Partners' performance. However, Mr. Bajwa advises that he is unable to provide comprehensive performance measurement information, including each performance measure and whether or not Water Infrastructure Partners has met each performance measure, because (a) the Capital Improvement

Program has been going at a slow pace during the first three months due to delayed funding and the initial mobilization of key staff, and (b) three months is too short a time period to measure Water Infrastructure Partners' performance.

- The reasons for the PUC's expenditures totaling only $967,137 for the first approximately three months of Contract Year 3, from December 22, 2002 through March 28, 2003, including (a) $807,137 or approximately 13.5 percent of the $6,000,000 funding available for the Water Infrastructure Partners' PMO, and (b) $160,000 or 16.0 percent of the $1,000,000 funding available for the PUC's costs of managing the contract. The Budget Analyst notes that for the first three months of Contract Year 3, the estimated expenditures would have been $1,500,000 for the Water Infrastructure Partners' PMO work and $250,000 for the PUC's costs of managing the contract, assuming a straight-line projection over a 12 month period.

9. Mr. Bajwa states that the PUC anticipates spending the full Contract Year 3 balance of $12,032,863 ($13,000,000 less $807,137 for Water Infrastructure Partners' PMO work and $160,000 for the PUC's costs of managing the contract) during the remaining approximately nine months of Contract Year 3, between March 29, 2003 and December 21, 2003. Mr. Bajwa advises that this is because several tasks, which were conducted at reduced levels in the initial three months of Contract Year 3 due to delayed funding and the initial mobilization of key staff, will now be funded to proceed at fully mobilized levels. According to Mr. Bajwa, these tasks include:

- Development of the Contract Year 3 work plan, which is a joint effort of PUC and Water Infrastructure Partner staff. This work is ready to proceed at the end of April of 2003.
- Environmental planning work. This work will accelerate during the next few months as environmental planning activities ramp up and the

Capital Improvement Program Master Plan is detailed further.

- Program controls services. These services now have increased staffing and the PUC will add further staff in June of 2003 as the workload continues to increase and additional projects are incorporated into the new Program Controls System.

10. According to Mr. Bajwa, the PUC has not expended any of the proposed subject requested Contract Year 3 funding of $5,188,000 previously reserved by the Board of Supervisors.

Recommendations:

1. Request the PUC General Manager to insert the phrase "... which fees shall not be paid without such action" at the end of Section 2(d) of the Second Amendment to Contract No. CS-524. As previously noted in Comment No. 2, the addition of this language will clarify the intent of the Second Amendment to ensure that no performance fees may be paid to Water Infrastructure Partners without the prior approval of the Board of Supervisors.

2. Approval of the proposed resolution is a policy matter for the Board of Supervisors.

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
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MEMORANDUM

TO: Harvey Rose
Budget Analyst

FROM: Patricia Martel
General Manager

DATE: April 23, 2003

RE: Labor Concerns

At the February 23, 2003 Finance and Audits Committee meeting, the International Federation of Professional and Technical Engineers (IFPTE), Local 21 reiterated a number of ongoing concerns relative to the Program Management contract with the Water Infrastructure Partners (WIP). The substance of those concerns centered primarily on the scope of the WIP contract and the perceived lack of need for outside consulting resources. Specifically, IFPTE, Local 21 expressed that many of the task orders making up the third year scope of work could be completed in-house at the PUC or in combination with resources available at DPW, Muni and the Airport.

To determine if such resources are, in fact, available to complete the required scope of work, IFPTE, Local 21 was requested to develop and present a written proposal detailing how its members could fulfill the various tasks for which outside funding and services were being requested. IFPTE, Local 21 indicated that such a proposal was being developed and would be offered for consideration in-lieu of ongoing funding for the WIP contract. To date, the PUC has yet to receive such a plan for review and consideration. As conveyed to the Finance and Audits Committee on February 26, the PUC remains open to discussions with IFPTE, Local 21 with respect to alternative means for securing the necessary services and training required to move forward with implementation of the Capital Improvement Program (CIP).

In an effort to forge a more effective partnership with IFPTE, Local 21, a number of meetings have been conducted since February with PUC staff. The purpose of those meetings was to establish a clearer understanding of the internal organizational needs which are the basis for the third year scope of work under the WIP contract, identify how the PUC could secure needed services utilizing existing city-wide resources, and to resolve the ongoing concerns that continue to impose obstacles to focusing on critical work which must be undertaken immediately. The following is a summary of the various partnering and informational meetings held in conjunction with IFPTE, Local 21 during the last two months.

SFPUC

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Engineering Resources Group – This group, which consists of PUC, DPW, Port, MUNI, SFIA, DPT, and Local 21, meets monthly to discuss engineering and construction matters. This group met on March 11 and April 8. Minutes of these meetings are attached.

PUC/DPW/LOCAL 21 – This group was formed to work through staffing issues. It has started meeting monthly, and work sessions were held on February 24 and March 31. The February meeting summary is attached.

UEB Contracts Group – This group meets informally with IFPTE, Local 21 to discuss contracting issues. PUC staff discuss and review the scope of work for potential Professional Services Agreements with the Union prior to advertising, solicit input and address any concerns raised by the Union regarding proposed RFP's for outside services.

UEB Administration – UEB Administration is part of a PUC planning group that is developing new specialty engineering classifications, such as scheduling, program controls and geotechnical engineering. Working with IFPTE, Local 21 to create these new engineering classes would allow internal staff to perform some of the activities that WIP is currently supporting.

CIP Presentation – Mike Quan, Director of Engineering and Construction, delivered a detailed presentation on the CIP to Local 21 at its March meeting.

JUCC – All meetings of the Joint Union City Committee were postponed for a few months pending solicitation of outside facilitation services. A joint written request was prepared by the PUC and IFPTE, Local 21 seeking federal facilitation services. A draft letter was presented to IFPTE, Local 21 at the Finance and Audits Committee on February 26. Subsequent revisions were required and a final document was agreed upon mutually, signed and forwarded by both the union and PUC.

A preliminary meeting was held on April 14 with the Union, PUC managers, and the state and federal facilitators to determine how to proceed. The facilitators selected for this mediation are Joel Schaffer of the Federal Mediation and Conciliation Service and Paul D. Roose of the State of California Mediation/Conciliation Service. It was recommended by the facilitators that a subsequent meeting be scheduled to clarify the roles and responsibilities of the JUCC. A copy of that letter of recommendation is attached.

JUCC Subcommittees -*The UEB/OPS subcommittee* continues to meet monthly. Regularly scheduled meetings were held on March 14 and April 11. The meeting minutes are attached.

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Resource Requirements and Development subcommittee meets monthly. A scheduled meeting was held on March 21. The meeting minutes are attached.

Engineering Resources Meeting
March 11, 2003
1155 Market St., 4th Floor Hetch Hetchy Conference Room

Meeting Summary Minutes

Attendees: Nelson Wong, Peter Woo, Bill Neilson, Vitus Leung, Steve Maiolini, Jessica Romm, Rosie Espinueva, Jeet Bajwa, Saed Toloui, Art Lee

1. **Engineering Needs**

- Jeet reported that power projects are basically design/build. Some of the offsite work can be done by in-house. Jeet will have more information by next meeting.
- Jeet also mentioned that there are 6-7 local projects that PUC is looking to bring forward. PM's formed a team to define the detail planning scope for 20 projects or so. The kick off meeting will be next week. Project Management is looking into staggering some CDD projects to engage more engineers involved soon.
- Vitus stated that there is a need for more centralized discussion within City departments and forecast a year or 2 when some departments get slow.
- Next month, Jessica and Steve will have a discussion session for all PUC, to introduce CIP planning process.

2. **Recruitment**

- City has gone to UC Davis.
- Muni has gone to SJSU, St. Luis Obispo, Santa Clara Univ.

3. **Exams**

- Bill presented a list from DHR for 5207 and 5241, civil, mech. Elec., sanitary and transportation.
- DPW has announced for interns. Deadline for application is 3/14.

4. **As-Needed Contracts**

- Vitus mentioned that there is value in reporting Task Orders (TO) to the Union. Generally, Union has no way of knowing ahead of time, if good faith effort is not utilized. Union and DPW have a good relationship regarding TO's, based on trust. Union objective is that departments check with each other before sending TO's out. Union is concerned that it will be called to defend departments at CC Commission when it is not aware of some of these decisions.
- Bill stated that TO's are for the work that cannot be planned or forecasted.
- Every department has a review and signing procedure by its management, before sending out TO's.
- Steve mentioned that UEB Manager often rejects the section requests for as needed. The fact is if we can do it in-house, we want to do it.

- **Action Item:** For next meeting, all the departments are to bring a list of their as-needed contracts. The list should include contact person (contract manager),

disciplines/ specialties, name of the firms, total dollar amounts and contracts expiration dates. DPW only had their list. DPT does not have any as needed contract.

- **Action Item:** The departments will develop a quarterly report for the quarter ending March 30, 2003.

5. **Skills Survey**

- Jessica presented PUC skills survey. PUC will send these in phases not to crash the server. She mentioned that since all departments were previously interested, she wanted to send the form to other departments as well.
- Muni and SFIA were concerned about loosing staff and they prefer not to distribute the form at this time.
- DPW and PUC will work based on their joint MOU.
- Vitus stated that Local 21 wants to have this form in their web site, so all the members can fill it out. Since it will be an Excel form, everybody can fill it out.
- **Action Item:** Jessica to send the spreadsheet to Local 21.

6. **Discussion**

- Furlough: Vitus mentioned that negotiations with the City will start next week.

NEXT MEETING:	Tuesday 4/8/03, 10 AM, in the 1155 Market St., 4th Floor Main Conference Room

Engineering Resources Meeting
April 8, 2003
1155 Market St., 4th Floor Conference Room

Meeting Summary Minutes

Attendees: Emie Eavis, Nelson Wong, Harlan Kelly Jr., Peter Woo, Bill Neilson, Vitus Leung, Steve Maiolini, Jessica Romm, Rosie Espinueva, Jeet Bajwa, Saed Toloui, Wendy Iwata, Susan Yee, Nieret Mizushima, Jim Buker

1. **Junior Engineer Recruitment**
- Muni has gone to Santa Clara University and UC Berkeley to recruit for the Summer.
- A problem still exists with DHR regarding interns who want to become Junior Engineers and the time lag between receiving the appointment and their diploma.?
- Local 21 has committed $1,000 for a Junior Engineer recruitment brochure with the caveat that it must have Local 21 logo and be published by the City.

2. **Exams**
- Vitus reported that DHR gave a presentation at the last Engineering Positions meeting and a list of the upcoming exams.

3. **Skills Survey**
- To date over 100 Skills Inventory Checklists have been submitted through the system. Due to technical difficulties with the Access Database, which is now being converted, broader distribution will occur after the system has been beta tested. Mid to late April is the timeframe.
- Categories for city agencies and disciplines have been added.
- SFIA is no longer hesitant about participating in the Skills Bank.
- **Action Item:** Jessica will inform and send to Local 21 and the participating engineering departments the web site address when it is up and running.

4. **As-Needed Contracts**
- MUNI and SFPUC provided listings of their as-needed contracts. MUNI's covered the first quarter of 2003 and SFPUC's the last quarter of 2002.
- Local 21 wants a description of each task order.
- **Action Item:** SFPUC to bring first quarter of 2003 to next meeting.

5. **Engineering Needs/Layoffs**
- Jeet reported that while the next 18 months of the CIP will be involved primarily in planning they are trying to move some of the projects ahead that don't require environmental reviews. He also indicated an area where engineers might consider as an alternative is in "project controls." It is a good field and people will gain new skills.
- Jeet reported that the supplemental budget will be going to the Finance Committee at the end of Apri. Members of the group strongly recommended that all agencies show support for the passage of the budget, so that engineers will not be laid off.

- Harlan described how important it is for agencies facing layoffs to inform the other engineering departments ahead of time so as to curtail layoffs and bumping.
- DPW is now trying to hire Construction Inspectors and will take from other departments.
- B. Neilson, MUNI, indicated that 4 Engineers will be laid off by the end of June. He figures that 0-2 will go to DPW, although 3 want to go to SFPUC; a few might go to DPT: one Mechanical Engineer, 2 Civil Engineers and 1 Civil Assistant (CAD Operator).
- According to E. Eavis layoffs at SFIA may include a Surveyor (5310) and 3 Traffic Engineers (Civil Engineers).
- Peter Woo indicated that DPT could take the senior Traffic Engineer and the other 2 since they are junior could work as Civil Engineers.
- Harlan reported that the School District has money, work and they are not laying off.
- Wendy stated that SFPUC has about 30 requisitions outstanding in addition to the others in the Supplemental Budget. These positions have not been approved by DHR due to all the reassignments and possible bumping.
- Harlan and Pat will be meeting with Andrea Gourdine in the next few weeks and will raise these issues.
- Local 21 has heard that DHR is laying off 19 Analysts and is not issuing referrals from the Analyst Registry.
- Jim mentioned that they (SFPUC) will need to go back to DHR and repeatedly tell them that the CIP is voter mandated and the positions must be approved.

NEXT MEETING:	Tuesday 5/13/03, 10 AM, in the 1155 Market St., 4th Floor Main Conference Room

Meeting with Local 21
Meeting Summary
2/24/03

Attendees: **Local 21:** David, Lisa, and Vitus
DPW: Harlan, Norman, Nelson, James, Jim Buker, Bob Beck, all Section Managers
PUC: Mike, Karen, Jeet, Steve, Division Managers and Section Managers

David gave an overview of the CIP and how we all needed to work together to accomplish our goals.

We had a discussion of as needed consultant contracts, and how we should keep as much work in house as possible. Regarding upcoming engineering and construction management RFP's, Jim Buker said that Boon Lim did an excellent job of justifying the need for $1.5 million in CM services and that the Union should have no problem with that. He would like to see the same done for engineering services. Mike asked him to provide a sample of what DPW has done for justification. Lisa mentioned the WIP contract and that she felt that there never was any justification for their services.

Jeet gave an overview of the projects in the CIP, their schedules.

The subject of specialized work, like geotech and project controls, was brought up. Everyone agreed that we needed more in house expertise, whether it be at DPW or PUC, or both. We still, however, would need consultants for some tasks. Hopefully several City departments would eventually use the project controls system.

Karen talked about projects and how the design work could be dispersed to City forces, and consultants would do what remains. A separate group will get together to discuss this.

Mike suggested that we have monthly meetings for a while, and the next one is scheduled for March 31.

7677 Oakport Street, Room 550
Oakland, Ca. 94621
Phone: 510-273-6238
Fax: 510-273-6299
Email: jschaffer@fmcs.gov

Federal Mediation and Conciliation Service

April 16, 2003

Patricia Martel
General Manager
San Francisco Public Utilities Commission
1155 Market Street, 4th Floor
San Francisco, Ca. 94103

David Novogrodsky
Executive Director
IFPTE Local 21
1182 Market Street
San Francisco, Ca. 94103

Dear Ms. Martel and Mr. Novogrodsky,

Thank you for inviting me to assist the very important work of the JUCC. As a Federal Mediator my role in the public sector is limited to providing any appropriate training that the parties might need in improving the effectiveness of their work. The State Mediation and Conciliation Service is the proper agency to provide facilitation services to public agencies.

With that in mind, Paul Roose, of the State Mediation and Conciliation Service, and I met with the JUCC on April 14. Our intention was to identify, with the Committee, exactly what assistance they might require. We had a frank and open discussion with the JUCC and found that before we would be able to effectively assist the parties, we were in need of greater clarification of the role of the JUCC.

Specifically:

1. What do you, as leaders of your respective organizations, view as the appropriate role and responsibility of the JUCC in the development and implementation of the CIP?

2. We understand that there is now in existence an Executive Leadership Team. What should be the relationship, or division of labor, between the JUCC and the ELT on CIP issues?

Paul and I share the belief that, before we would be able to provide training or facilitation services to the JUCC, it is imperative that the scope of its responsibilities be clarified. I would like to suggest that Paul Roose of the State Mediation Service convene a meeting of the appropriate leadership of the PUC and IFPTE 21 so that the answers to these questions may be clarified. I would be available to attend as a resource to discuss any possible training needs that may be identified as a result of these discussions.

If you are in agreement, or should you have any questions regarding our observations, may I suggest that you contact Paul at 415-703-4882 ext. 9, or on his pager at (510) 539-7224?

We look forward to hearing from you at your earliest convenience.

Sincerely,

Joel Schaffer
Commissioner
Cc: Steve Maiolini, Lisa Feldstein (JUCC co-chairs), Paul Roose

UEB Operations Subcommittee

DATE: Friday March 14, 2003
TIME: 1:30 PM
PLACE: Millbrae Office

Minutes

Legend: Items with ➢ in bold fonts were discussed at the meeting.

#	Item	Action
1	**DBI assistance for inspection and code compliance** Background: There is a need for DBI inspectors for reviewing P&S for code compliance, especially electrical. The issue was heavily debated at UEB/HH meeting. Don Larramendy has said that it is OK to go ahead with signing the agreement, as it is between UEB and DBI, not HH. An agreement was supposed to be signed between PUC and DBI. Susan was getting the agreement signed by management. ➢ **Saed reported (from Susan) that agreement is ready for the signature, but PUC senior management is not unified on it.** ➢ **It was discussed that an agreement would bring the cost of their labor down and help them to be available when their services are needed.**	◻ **Steve to follow up on agreement.**
2	**Design review process that everyone follows** Background: We need a procedure for the review process and presentations. We also need a QA/QC program. Don Munakata is heading the procedures development and is working on review procedures, which include OPS needs. ➢ **Don has identified the sections that need OPS review and provided access for Jon Chow. ITS has sent the link to Katie Miller as well. Jon has given his input to Don to be incorporated in the procedures.** ➢ **There is a tracking index for review and approval of procedures.**	◻ **Don to check that Katie, Willy Tsai, Calvin Huey and J. Loiacono have access to procedures.** ◻ **Saed will check with George Martinez to get that.**
3	**Standards for what constitutes 10%, 50%, etc., design packages** Background: There has been interest to have a uniform understanding of what constitutes a design package at different stages of completion. Jessica presented a matrix (prepared by Susan) of deliverables by discipline, for 10%, 35%, 65% and 95% completion. ➢ **Jessica mentioned that the matrix is a guideline that different bureaus (especially OPS) are supposed to comment on it. She received one comment so far.** ➢ **Frances discussed that OPS staff do not read specs. A "checklist" is needed that shows the items to be completed at each stage.** ➢ **Don suggested that we need input from OPS to add to PE's responsibility in the Responsibility Matrix.**	◻ **Katie/Manouch to provide Process Engineering column to design standards table.** ◻ **Jessica to look for the checklist in procedure and to look into a workshop for OPS on design reviews.** ◻ **Don to follow up.**

#	Item	Action
4	**Operating strategy, O&M manuals, and warranty procedures need to be developed** Background: There is a need for operating strategy/manual for the facilities that are being built. A meeting was held on Jan 15 and another one is scheduled for Feb. 20 on the draft work plan and procedure. A copy of the draft procedure was provided to Jon C. Participants discussed the need to differentiate vendor O&M manuals from operating type O&M manuals and responsibilities for the latter type. ➢ **Saed contacted WPC and got operating manuals for Bay Side and Ocean Side sewage treatment and Bruce Flynn PS, as samples, done by QREP.**	☐ **Saed to contact Frank Kukula of WS&T regarding developing a manual for the new facilities.**
4.1	**As-built drawings** Background: There has been a lot of effort by different parties to unify the definitions of as-builts and how to develop it. A procedure was drafted by Abdi and is in circulation at the As-Built Drawings Committee. It will be presented to OPS soon. It was also discussed that developing as-builts for in-house maintenance/repair work. ➢ **Don received input from WS&T, Hetchy and WPC.**	☐ **Don to get input from CDD**
5	**Standard design details and equipment specifications** Background: We should have standardized P&ID's. Coating specs should be in one place and be reviewed by WQ. Don Birrer initiated funding this effort, according to DTM. Jon Chow received std. Plans and specs from SCVWD and forwarded to GED. The funds have been certified and both UEB and DPW have money. Tom Hull is the UEB Project Engineer. ➢ **Saed is the lead PM for this effort.**	☐ **Katie/Manouch to send standard detail for air relief valves above grade to J. Chow.** ☐ **Jon to send a mark-up copy to Jessica of the WS&T standard details that will be updated by them.** ☐ **Tom will receive the first submittal on 3/27/03, for BOE to review.**
6	**Standard sanitary practices for facilities** Background: These are practices for contractors to keep facilities clean. Manouchehr handed out specs for comments but there were not many comments about it.	☐ **Katie/Manouch to send Sanitary Work Practices spec to Tom Hull. Jim Salerno can provide input on dechlorinating discharges over long durations for construction projects.** ☐ **Steve will set up a meeting w/ Alan, Katie, Steve Lombardy, & Jim Salerno to discuss.**

#	Item	Action
7	**Better ways to get equipment to the jobsite in a timely manner** Background: There are issues regarding pre-purchase of equipment, the time that warranty begins, and where we could store it. There were a lot of discussion regarding the warranty and the fact that when the contractor receives equipment at our yard, the levels of liability are not clear. Jessica presented some specs. language regarding pre-purchased equipments. ➢ **Jessica presented more samples of specs that discuss the contractor's liabilities, necessary submittals and installation requirements. However, it was discussed that such specs is different from "assignment". When assigning equipment to the contractor, he/she will pick it up from manufacturer/vendor and installs it. This will be more efficient, and contract can incorporate it in the CPM schedule.**	❑ **Don will check with George Wong, City Attorney on feasibility of doing this.**
8	**Post construction review conference** Background: There is a need to develop a procedure for collecting the lessons learned so they can be applied to other projects. ➢ **There is a draft in circulation in Procedures Committee. It will be presented to OPS soon.**	
9	**Other Concerns/ Issues** ➢ **Saed asked about the milestone for many of the items that are being worked on. The general milestone is next summer, when the first CIP projects are initiated.** ➢ **There was a unanimous concern regarding participation in these meetings. The Subcommittee has started with 15-20 people, but many of the original people do not show up.**	❑ **Steve and Jon to look into this.**

Next Meeting: 1:30 PM, Friday, April 11, 2003 at the Millbrae Office

Recorder: Saed Toloui- 3/17/03

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NAME	PRESENT	ORGANIZATION
Steve Maiolini	No	PMB
Don Munakata	Yes	UEB
Carol Finucane	No	UEB/GED
Don Larramendy	No	WS&T
Susan Yee	No	UEB/GED
Jessica Romm	Yes	WIP
Alan Johanson	No	UEB/CED
Steve Lombardi	No	WS&T
Sergio Barazza	No	WS&T
Calvin Huey	No	PMD
Manouchehr Bouzarpor	No	WQ
Jon Chow	Yes	WS&T
Chris Nelson	Yes	PMD
Ron Cheng	No	WS&T
Andrew DeGraca	No	WQ
Tasso Mavroudis	No	PMD
Katie Miller	No	WQ
Kevin Costello	No	CED
David Quinones	Yes	UEB
Boon Lim	No	UEB
Saed Toloui	Yes	PMB
Willy Tsai	Yes	WS&T
Frances McCormick	Yes	PMB

UEB Operations Subcommittee

DATE: Friday April 11, 2003
TIME: 1:30 PM
PLACE: Millbrae Office

Minutes

Legend: Items with ➢ **in bold fonts** were discussed at the meeting.

#	Item	Action
1	**DBI assistance for inspection and code compliance** Background: There is a need for DBI inspectors for reviewing P&S for code compliance, especially electrical. The issue was heavily debated at UEB/HH meeting. Don Larramendy has said that it is OK to go ahead with signing the agreement, as it is between UEB and DBI, not HH. An agreement was supposed to be signed between PUC and DBI. Susan was getting the agreement signed by management. Saed reported (from Susan) that agreement is ready for the signature, but PUC senior management is not unified on it. It was discussed that an agreement would bring the cost of their labor down and help them to be available when their services are needed.	◻ **Steve to follow up on agreement.**
2	**Design review process that everyone follows** Background: We need a procedure for the review process and presentations. We also need a QA/QC program. Don Munakata is heading the procedures development and is working on review procedures, which include OPS needs. Don has identified the sections that need OPS review and provided access for Jon Chow. ITS has sent the link to Katie Miller as well. Jon has given his input to Don to be incorporated in the procedures. There is a tracking index for review and approval of procedures. ➢ **8-9 procedures have been approved by Mike Quan.** ➢ **It is still not known if everyone mentioned has access.**	◻ **Don to check that Katie, Willy Tsai, Calvin Huey and J. Loiacono have access to procedures.** ◻ **Saed will check with George Martinez to get that.**
3	**Standards for what constitutes 10%, 50%, etc., design packages** Background: There has been interest to have a uniform understanding of what constitutes a design package at different stages of completion. Jessica presented a matrix (prepared by Susan) of deliverables by discipline, for 10%, 35%, 65% and 95% completion. Don suggested that we need input from OPS to add to PE's responsibility in the Responsibility Matrix. ➢ **Frances and Jon talked about the monthly meetings That used to occur after the OPS meeting. They were very beneficial and should be restarted.** ➢ **We should let staff know which procedures have been approved so staff can become familiar with them.**	◻ **Katie/Manouch to provide Process Engineering column to design standards table.** ◻ **Jessica will further research checklists and will bring des. review procedure to the next meeting.** ◻ **Susan and Boon should e-mail their staff that procedures have been finalized & are available for review** ◻ **Frances will talk to Jeet and Chris about restarting the monthly meetings.**

#	Item	Action
4	**Operating strategy, O&M manuals, and warranty procedures need to be developed** Background: There is a need for operating strategy/manual for the facilities that are being built. A meeting was held on Jan 15 and another one is scheduled for Feb. 20 on the draft work plan and procedure. A copy of the draft procedure was provided to Jon C. Participants discussed the need to differentiate vendor O&M manuals from operating type O&M manuals and responsibilities for the latter type. Saed contacted WPC and got operating manuals for Bay Side and Ocean Side sewage treatment and Bruce Flynn PS, as samples, done by QREP. ➢ **Don M. said there was a meeting was held with Tony Flores, Kerwin Chan, and Meei-Lih of WPC to discuss O&M and Operating Manuals.**	▫ **Saed to contact Frank Kukula of WS&T regarding developing a manual for the new facilities.** ▫ **Saed to start on an outline for an operations manual.**
4.1	**As-built drawings** Background: There has been a lot of effort by different parties to unify the definitions of as-builts and how to develop it. A procedure was drafted by Abdi and is in circulation at the As-Built Drawings Committee. It will be presented to OPS soon. It was also discussed that developing as-builts for in-house maintenance/repair work. Don received input from WS&T, Hetchy and WPC. ➢ **Abdi has redrafted a procedure and hopes to have it for the next meeting.**	▫ **Don to get input from CDD**
5	**Standard design details and equipment specifications** Background: We should have standardized P&ID's. Coating specs should be in one place and be reviewed by WQ. Don Birrer initiated funding this effort, according to DTM. Jon Chow received std. Plans and specs from SCVWD and forwarded to GED. The funds have been certified and both UEB and DPW have money. Tom Hull is the UEB Project Engineer. Saed is the lead PM for this effort. ➢**David talked about many bldg. Std. Specs that should be included. Don suggested that we finish the main effort first, then go on to building details.** ➢**Saed has air relief valve details.**	▫ **Jessica will look into getting equipment clearances, etc., from Health and Safety.**
6	**Standard sanitary practices for facilities** Background: These are practices for contractors to keep facilities clean. Manouchehr handed out specs for comments but there were not many comments about it. ➢ **Frances stated that this is a very important issue.**	▫ **Katie/Manouch to send Sanitary Work Practices spec to Tom Hull. Jim Salerno can provide input on dechlorinating discharges over long durations for construction projects.** ▫ **Steve will set up a meeting w/ Alan, Katie, Steve Lombardy, Calvin, David & Jim Salerno to discuss.**

#	Item	Action
7	**Better ways to get equipment to the jobsite in a timely manner** Background: There are issues regarding pre-purchase of equipment, the time that warranty begins, and where we could store it. There were a lot of discussion regarding the warranty and the fact that when the contractor receives equipment at our yard, the levels of liability are not clear. Jessica presented some specs. language regarding pre-purchased equipments. ➢ **George Wong said that assigning equipmint to the contractor will only work if vendor atrees that contractor has same responsibilities as City. We need to get typical City purchase contract & modify to use for assigning. Jon mentioned a book and author that would be usefuL**	▫ **Jessica will contact the author, get the contract from the City vendor, and work on assignment language**
8	**Post construction review conference** Background: There is a need to develop a procedure for collecting the lessons learned so they can be applied to other projects. ➢ **There is a draft in circulation in Procedures Committee. It will be presented to OPS soon.**	▫ **Saed to send the procedure to OPS.**
9	**Other Concerns/ Issues** ➢ **The group was unanimous in voicing the need for WQ to be at these meetings, as there are issues related to them and their input is appreciated. Everyone thought that Katie Miller would be an excellent representative.**	▫ **Steve and Jon will ask Katie to attend future meetings.**

Next Meeting: 1:30 PM, Friday, May 9, 2003 at the Millbrae Office

Recorder: Steve Maiolini

NAME	PRESENT	ORGANIZATION
Steve Maiolini	Yes	PMB
Don Munakata	Yes	UEB
Carol Finucane	Yes	UEB/GED
Don Larramendy	No	WS&T
Susan Yee	No	UEB/GED
Jessica Romm	Yes	WIP
Alan Johanson	No	UEB/CED
Steve Lombardi	No	WS&T
Sergio Barazza	No	WS&T
Calvin Huey	Yes	PMD
Manouchehr Bouzarpor	No	WQ
Jon Chow	Yes	WS&T
Chris Nelson	No	PMD
Ron Cheng	No	WS&T
Andrew DeGraca	No	WQ
Tasso Mavroudis	No	PMD
Katie Miller	No	WQ
Kevin Costello	No	CED
David Quinones	Yes	UEB
Boon Lim	No	UEB
Saed Toloui	No	PMB
Willy Tsai	Yes	WS&T
Frances McCormick	Yes	PMB
Johnny Wong	Yes	

JUCC
STAFFING REQUIREMENTS & DEVELOPMENTSUBCOMMITTEE
Meeting Summary

Date: March 21, 2003
Time: 9:00 – 10:00 a.m.
Location: 1182 Market St. 3rd Floor
Attendees: Vivian Chow, Jessica Romm

The fifth JUCC Staffing Requirements & Development Subcommittee covered the following:

TOPICS:

1. **SFPUC Skills Inventory Checklist Status**

   Report: Jessica reported that Karen Kubick and Mike Quan distributed the Skills Inventory Checklist to their respective staffs. Over 70 responses have been logged. Problems due to the inability of the Access database to process more than two – three checklists at a time prevented staff from entering their information. SFPUC's Informational Technology Services programming group has now become involved and is remedying the situation.

   Vivan reported that Vitus wants to be sure that members of Local 21, who are not employed by the SFPUC, will be able to participate in the Skills Bank and have access to the website.

   Jessica also indicated that some of the engineering departments of other city agencies, previously interested in participating, are now hesitating for fear of loosing staff. As a result, Vitus has been receiving calls from his non-SFPUC members asking how they can still participate.

   Action: ITS is developing a more enhanced system planned for beta testing by mid-April. The Skills Inventory Checklist will be accessed through a designated website.

2. **CIP Staffing Requirements Update**

   Report: Per discussions with Gerry Finn and Jeet Bajwa, who were unable to attend, they both indicated that the staffing requirements continue to be refined with SFPUC Engineering.

   Action: Continue to monitor developments.

3. **Staff Training & Development Needs**

   Report: The major work to be completed over the next 18 months is in the area of planning. In response a seminar series has been scheduled to begin mid-April for SFPUC staff.

   Action: None required.

4. **As-Needed Engineering & Construction Management Contracts**

   Discussion: No information.

5. **Team Building Project Progress/Quality Initiative**

   Report: The Team Building & Organizational Development work of selected PMs, PEs and REs continues with expectation of a presentation to upper management by the end of April.

The Quality Initiative developed by Mark Primeau and Anne Godfrey has been presented to the Executive Leadership Team. An implementation schedule and initial kickoff meeting are being drafted.

Action: None required at this time.

The next meeting is scheduled for Friday, April 18, 2003 at 9:00, 1155 Market St. 8th Floor Conference Room.

San Francisco Public Utilities Commission
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SFPUC
Water
Hetch Hetchy Water & Power
Clean Water

MEMORANDUM

DATE: April 22, 2003

TO: Alan Gibson, Board of Supervisors Budget Analyst

FROM: Jeet Bajwa, Program Management Bureau, SFPUC

SUBJECT: Water Infrastructure Partners Contract

The following is a table summarizing Year 3 PMO services.

Summary of Contract Year 3 Work

Program Management Office (PMO)

Sub-Task	Work Scope	Work to Date	Work to be Completed
Contract Oversight and Administration	Contract administration, financial management, progress reports and meetings	Ongoing contract administration, financial management, and reporting.	Ongoing contract administration, financial management, and reporting.
Work Plan Development	Assist PUC with development of work scopes for 30 projects in the planning phase.	Assisted with development of budgets for work scope plans for 17 projects.	Support PUC with work plans for 17 initial projects and additional projects as identified by PUC.
Staff and Organization Development	Update skills bank. Implement training programs. Team building.	Enrolled over 100 staff in database. Coordinated 10 training sessions and two team building retreats.	Continue to update database and organize training sessions. Transition duties to City around July when new hire is anticipated.
CIP and Environmental Planning	Coordinate CIP planning teams and activities. Coordinate technical activities for EIR.	Coordinated planning activities on regional projects. Assisted with environmental planning for major CIP projects.	Ongoing support to PUC planning bureau in environmental planning and permitting. Continue coordination of system-wide CIP activities.

Task	Work Scope	Work to Date	Work to be Completed
Communications and Public Information	Communications planning. Information outreach. Database management.	Prepared CIP brochure, FAQ and fact sheets. Drafted updates to PUC web site. Assisted with PUC strategic communications plan.	Ongoing commun. support services to PUC. Prepare information on CIP progress for media release.
Diversity Program Support	Assist PUC with contractor outreach. Assist with updates to HRC database. Support employment training compliance program.	Provided outreach services on 9 projects. Identified 3 new contractors for employment outreach program. Maintained outreach database.	Continue outreach and database services on limited basis to meet reduced budget.
Program Controls and Reporting	Provide services in cost estimating, scheduling, and cost engineering to support PUC program controls efforts.	Provided cost and schedule services in support of CIP program controls group. Mentored PUC staff in scheduling.	Ongoing support in cost and schedule management services. Continued mentoring of PUC staff in project scheduling.
Cost Estimating Database	Provide support with database software changes. Update database with recent bid costs.	Work on hold due to funding limitations.	Database software and data updates.
Engineering Practices	Assist with development of project procedures. Provide support for training and mentoring in application of project procedures.	Drafted 5 engineering and construction management procedures. Coordinated reviews and revisions to procedures.	Ongoing support for development and updating of technical procedures. Ongoing mentoring for application of procedures.
Records Management	Assist with development of records management system.	Reviewed options for records management with PUC. Assisted with training in use of selected records management system. Assisted with data entry of records into records management system.	Ongoing support with training and data entry for records management system.
Graphic Design Audio/Visual Support	Provide support for graphic design and audio visual aids. Maintain graphics lib.	Work on hold due to funding limitations.	Provide support in accordance with work scope.
Quality Assurance, Quality Control Planning	Assist with development and implementation of CIP Quality Program.	Coordinated review and revisions to CIP program procedures. Drafted outline of CIP quality plan for Program Management Bureau.	Continue oversight of development, review and updating of program procedures. Provide mentoring in application of program procedures.

Task	Work Scope	Work to Date	Work to be Completed
Construction Management Plan	Provide procedures and guidelines for construction management services for the types of facilities constructed under the CIP. Provide mentoring of CIP personnel.	Developed list of tasks for enhancing PUC capabilities in claims mitigation and construction quality assurance. Provided mentoring of resident engineering staff.	Ongoing support and mentoring of construction management staff. Continue development of guidelines for construction management and inspection of pipelines, tunnels, dams and other CIP facilities.

The following explanations are part of the expenditure table called out in Budget Analyst's report, which explains reasons for the low expenditure rates:

1. In January, three weeks were billed to remaining Yr. 2 funds.
2. For Subtask 2, Work Plan Development, the work was because of the requirement that this task be a joint effort of PUC and WIP staff. Although WIP was funded, the GED staff was not funded until April 21, 2003.
3. For Subtask 4, CIP and Environmental Planning, the work is expected to ramp up in the months ahead.
4. For Subtask 7, Program Controls, several WIP positions for schedulers, estimators, and cost engineers have been put on hold pending funding for City positions, and due to concerns by the PUC's program controls manager of uncertainty of WIP funding beyond April 30 to support the added positions.
5. For Subtask 8, the cost estimating database upgrade and expansion has been put on hold by the PUC, pending an internal decision to continue to use this estimating tool on the program.
6. For Subtask 11, Graphic Design, the work has been put on hold until end of April.
7. The ODC's and fee are not included. Add approximately 20 percent to the numbers listed in the Table.
8. SFPUC labor costs are estimates as the FAMIS reports usually lag behind by 2 months.

Performance

The monthly progress reports prepared by WIP for January through March reflect work performed to date for Year 3. The PUC team accepts the quality and performance (schedule and cost) of this work and describes how work activities support Key Performance Measures. See the following table for some specific examples.

PMO Subtask	Work Activity	KPM
002 Work Plan Development	The work involves mentoring engineering staff in the process for developing work plans with specific budgets and schedules for major project planning studies such as the San Joaquin Pipeline No. 4. Effective work plans will assist in controlling planning and engineering costs and	STKPM 3 – Develop Training Program for SFPUC staff

	expediting the planning phase.	
003 Staff and Organization Development	One of the work efforts, the team building retreat for the engineering and construction divisions, resulted in the formation of process improvement teams to increase the efficiency and effectiveness of SFPUC professionals, thereby reducing program costs and saving time.	STKPM 3 - Develop Training Program for SFPUC staff
004 CIP and Environmental Planning	The updating of the CIP plan advanced several of the projects to enable a consolidation of environmental review of projects, thereby saving mitigation planning costs. The updating of the CIP also advanced several projects for earlier starts to increase work available for SFPUC engineering staff, thus reducing overhead costs and expediting portions of the CIP program.	STKPM 1 – Update CIP Plan for Year 3
007 Program Controls	WIP prepared detailed cost-loaded schedules of activities for the planning studies on CIP projects. The schedules are used to compare actual to planned costs and to control costs to within the established budgets. WIP also provided on the job training of SFPUC staff in scheduling.	STKPM 4 – Project Process Implementation Plan for each CIP Project

PUC management holds weekly progress/review meetings with WIP management. Issues that need immediate attention are raised and brought to the awareness of the Program Director. Otherwise, the scope, schedule, and budget for each subtask of the PMO and each task of the PM/CM are briefly discussed. It is acknowledged that work in certain tasks is slow but such speed is by design so that PUC staff can adequately work with WIP staff to adequately gain hands-on experience. With the approval of the supplementary funding, speed of task orders in general will pick up. PM/CM work authorized in Year 2 is proceeding as planned. Furthermore, monthly reports list all major activities performed during the month and compare the actual costs versus the budgeted costs. The task order managers who write the reports discuss the contents with the PUC project managers and jointly agree on the expenditures and major milestones. There has been significant progress made in the following PMO areas:

- 005 Communications – The GM's plan to communicate the activities and work plan of the PUC to the citizens of San Francisco, the Bay Area Water Users Associations (BAWUA), as well as to all the Oversight Committees.
- 006 Diversity – Competition to SFPUC bids continues to increase, therefore, providing cost savings to the organization.
- 007 Program Control – WIP and PUC work to set up Program Control tools and work processes.
- 009 Engineering Practices – Engineering procedures, when implemented will reduce soft costs.

- 010 Records Management – Significant work has progressed in establishing a central library, collecting and scanning project reports and drawings for accessibility to all of PUC
- 012 Quality Assurance/ Quality Control – PUC is very close to forming an independent group for overall quality.

The PUC is confident that with full Year 3 funding, progress of both WIP and PUC will proceed at an accelerated rate.

Item 12 - File 03-0400

Department: Port of San Francisco

Item: Resolution approving Fourth Lease Amendment to Port Lease No. L-11859 between the Port Commission and Bundox Restaurant, Inc., a California corporation ("Tenant) for the lease of real property known as the Waterfront Restaurant located at Pier 7 1/2 (Broadway and The Embarcadero).

Purpose of Lease: To amend the rent structure and term of the Lease based on the terms and conditions set forth in the Fourth Amendment.

Lessor: Port of San Francisco

Tenant: Bundox Restaurant, Inc.

No. of Square Ft.: The existing Lease between the Port and Bundox Restaurant, Inc. is for 19,253 square feet of space on the subject premises located at Pier 7 ½ consisting of approximately 9,189 square feet of in-door dining space, 2,705 square feet of outdoor dining space and 7,359 square feet of public access space and parking space for 10 vehicles. The public access space consists of an outside area extending around the waters edge on the east side of the restaurant and outdoor dining areas on the north side of the restaurant, adjacent to the parking area.

Term of Existing Lease Between the Port and Bundox Restaurant Inc.: 20 years, beginning on July 1, 1996 and terminating on June 30, 2016

Proposed Term of Lease Between the Port And Bundox Restaurant Inc. Under the Proposed Amendment: An extension of an additional eight years and seven months, from the original termination date of June 30, 2016 to January 31, 2025

Current Rental Payments to Port by Bundox Restaurant, Inc.:

Base Rent

Base Rent is currently $21,785 monthly (approximately $2.37 per square foot per month based on 9,189 square feet of indoor dining space), or $261,420 annually. The Base Rent is adjusted every three years for a cost of living adjustment based on the Consumer Price Index, and, in year ten (as of July 1, 2006), the Base Rent would be adjusted to the greater of a cost of living increase based on increases in the Consumer Price Index, or 50 percent of the average total monthly rent, including percentage rent, paid by the tenant for the previous three years of the lease.

Percentage Rent:

Bundox Restaurant, Inc. shall pay to the Port the greater of 1) the Base Rent or 2) the Percentage Rent calculated at seven percent of gross revenues from the operation of the restaurant.

Total rent collected by the Port between Calendar Year 1997 and Calendar Year 2002 is as follows:

Year	Amount of Gross Revenues	Total Percentage Rent Reported by the Port	Rent Credits Applied	Total Rent Paid to Port Net of Rent Credits
1997[1]	$2,795,503	$258,669	$61,575	$197,094
1998	6,258,790	438,115	96,246	341,869
1999	6,941,517	485,906	105,763	380,143
2000	6,628,727	464,011	92,406	371,605
2001	4,702,050	329,143	38,459	290,684
2002[2]	3,688,560	265,218	7,205	258,013
Total	**$31,015,147**	**$2,241,062**	**$401,654**	**$1,839,408**

Proposed Rental Payments to Port by Bundox Restaurant, Inc. Under the Proposed Amendment:

Base Rent Under the Proposed Lease Amendment: $10,000 monthly (approximately $1.08 per square foot per month based on 9,189 square feet of dining space) or $120,000 annually beginning retroactively to November 1, 2002 through the proposed termination date of January 31, 2025. After the "Threshold Date", which is the earlier of (a) February 1, 2007, or (b) the date gross revenues of the restaurant exceeds $6,000,000 annually, the Base Rent would be adjusted annually for a cost of living adjustment based on the Consumer Price Index. The proposed Base Rent is a reduction of $141,420 annually, or 54.1 percent, from the current Base Rent of $261,420 annually. Bundox would be required to pay "Deferred Rent", which is the difference between (a) the $10,000 monthly in Base Rent paid to the Port from November 1, 2002 to the Threshold Date under the proposed Fourth Amendment, and (b) the $21,785 monthly in Base Rent paid to the Port under the current lease, times the number of calendar months from November 1, 2002 to the Threshold Date. Such deferred rent is

[1] 1997 figures include November 1996 and December 1996 payments to the Port.
[2] 2002 figures do not reflect reduced rent paid by Bundox in November of 2002 and December of 2002 (see Comment No. 9).

required to be paid to the Port at either (1) the end of the lease term or 2) subsequent to the refinancing of the Lease or sale of the Waterfront Restaurant, to the extent that any excess sale proceeds exist after repayment of the Section 108 Loan (see Description below for information on the loan).

Percentage Rent Under the Proposed Lease Amendment:
Bundox Restaurant, Inc. shall pay to the Port the greater of 1) the Base Rent or 2) the Percentage Rent calculated at six percent of gross revenues, a reduction of one percent from the existing percentage of gross revenues from the operation of the restaurant.

Description: In December of 1994, the Board of Supervisors approved a new lease with Bundox Restaurant, Inc., or "Bundox", for the Waterfront Restaurant (File 65-94-17), which consists of a two-story building owned by the Port, public access space and a parking lot, at Pier 7 ½, on The Embarcadero at the foot of Broadway, for a 20-year lease period, at a Base Rent of $17,500 per month, or $210,000 annually, and a Percentage Rate of 7 percent. Prior to that time, Bundox had operated the Waterfront Restaurant at Pier 7 ½ under a lease with the Port since 1969.

The 1994 Lease provided for significant tenant improvements to the property, to be made by Bundox in two Phases, as explained by Ms. Carol Anderson of the Port on page 2 of Attachment II to this report. Under the provisions of the 1994 Lease, the Port was to pay for up to 50 percent of a maximum of tenant improvement total costs of $3,400,000, up to a maximum of $1,000,000 for Phase I and up to a maximum of $700,000 for Phase II, totaling a maximum of $1,700,000 (see Comment No. 1). The Port's share of the cost of tenant improvements, not to exceed $1,700,000, would be paid for in the form of Rent Credits, resulting in Bundox not having to pay to the Port the portion of the Percentage Rent which exceeded the Base Rent, over a ten year period (see Comment No. 4).

financing terms than the preliminary loan agreement with Heller First Capital. The Board of Supervisors approves acceptance and expenditure of Section 108 Revolving Loan Guarantee funds each year during approval of the Community Development Block Grant Program. However, as noted on page 2 of Attachment IV, provided by Mr. Lerma, the specific Section 108 Loan made by MOCD to Bundox, was not subject to Board of Supervisors approval.

On November 12, 1996, the Port Commission approved the Second Amendment to the Lease and Consent to Encumbrance (Resolution No. 96-117), which removed Heller First Capital as lender and consented to MOCD as lender, as explained on page 5 of Attachment II. The Port Commission approved the Third Amendment to the Lease (Resolution No. 97-70), on July 22, 1997, to provide for modifications to the size and location of the tenant improvements and allowed reduced rent[3], as provided for in the 1994 Lease, while the Waterfront Restaurant remained open for business, as explained on page 6 of Attachment II. According to Ms. Anderson, the Board of Supervisors did not approve the Second or Third Amendments to the Lease because the amendments only added minor modifications to terms of the Lease previously approved by the Board of Supervisors.

Ms. Anderson reports that without the proposed subject Fourth Lease Amendment restructuring of the Current Lease, Bundox will "most likely default" on the Lease, as explained on pages 2 and 3 of Attachment I, which would likely 1) require the Port to find another operator for the Waterfront Restaurant under less favorable terms than the existing Lease, and 2) result in the MOCD's inability to recover the remaining MOCD Section 108 Loan funds due from Bundox.

[3] Under the terms of the 1994 Lease, Bundox would pay reduced rent of $5,000 per month, for up to nine months, during the construction period in which the restaurant was closed for business. Under the Third Amendment to the Lease, because Bundox intended to keep its business open during construction of Phase I of the tenant improvements, the Lease was amended to provide for reduced rent of $5,000 per month, for up to nine months, for the construction period in which the restaurant was open. According to Ms. Anderson, work for Phase I and Phase II of the tenant improvements were performed simultaneously during the approximate nine-month period from May of 1997 through January of 1998.

In order to prevent the Waterfront from defaulting on the Lease, the Port has, according to Ms. Anderson, amended the rent structure and term of the Lease in the Fourth Amendment, as follows:

- The term of the lease would be extended by eight years and seven months, from the existing lease ending date of June 30, 2016 to the proposed lease ending date of January 31, 2025.

- The Base Rent would be reduced, from $21,785 monthly or $261,420 annually to $10,000 monthly or $120,000 annually, with annual CPI adjustments after the Threshold Date, for the entire lease term from November 1, 2002 through January 31, 2025.

- Deferred Rent, which is the difference between (a) $10,000 in Base Rent paid to the Port from November 1, 2002 to the Threshold Date under the proposed Fourth Amendment, and (b) $21,785 in Base Rent paid to the Port under the current Lease, times the number of calendar months from November 1, 2002 to the Threshold Date, is required to be paid to the Port at either (1) the end of the lease term or 2) subsequent to the sale of the Waterfront Restaurant, to the extent that any excess sale proceeds exist after repayment of the Section 108 Loan.

- Percentage Rent would be reduced, from seven percent of gross revenues, to six percent of gross revenues from November 1, 2002 through January 31, 2025.

  However, from November 1, 2002 through the Threshold Date, the Percentage Rent is subordinate to operating expenses so that Bundox would not be required to pay any monthly percentage rent if expenses exceed gross revenues. If the Waterfront Restaurant generates a net operating income in any month, then Bundox would, pay 50 percent of the net operating income as principal debt reduction to the MOCD loan and retain the remaining 50 percent.

Under the proposed lease, from the Threshold Date through January 31, 2012, the Percentage Rent is no longer subordinate to operating expenses. However, Bundox would be required to pay 50 percent of the percentage rent which exceeds the base rent amount as principal debt reduction to the MOCD loan, and the remaining 50 percent would be paid to the Port.

- Rent credits for the cost of Bundox's share of the tenant improvements would not be granted by the Port to Bundox.

- Payment upon transfer of the Lease in connection with a sale of the Waterfront Restaurant would be distributed first, to pay the remaining balance of the MOCD Section 108 Loan, second, to pay for Port Deferred Rent and last, to be shared equally by the Port and Bundox should any net funds remain. In addition, the Port could renegotiate a new rental rate with the new owner after one-year.

Pages 4 through 6 of Attachment I contains a description of the proposed amended lease terms.

Comments:

1. According to Ms. Anderson, the tenant improvements began in May of 1997 and were completed in January of 1998. Ms. Anderson advises that the Port anticipated tenant improvement costs in 1994 of $2,930,000 ($1,875,000 plus $1,055,000) as described on page 8 of Attachment II, but the actual costs upon completion of the tenant improvements in January of 1998 totaled $3,277,545. Ms. Anderson notes that under the 1994 Lease, the Port agreed to pay up to 50 percent of the tenant improvements up to a maximum of $1,700,000, or $1,638,773 of the total tenant improvement costs of $3,277,545, through rent credits granted to Bundox by the Port whish resulted in the Bundox not having to pay the Port the full amount of the Percentage Rent in excess of the Base Rent.

2. As previously noted, Deferred Rent is the difference between (1) $10,000 in Base Rent paid to the Port from November 1, 2002 to the Threshold Date under the proposed Fourth Amendment, and (2) $21,785 in Base Rent paid to the Port under the current Lease, times the number of calendar months from November 1, 2002 to the Threshold Date, which is the earlier of (a) February 1, 2007, or (b) the date gross revenues of the restaurant exceeds $6,000,000. As stated on page 8 of Attachment I, the Port estimates that the Deferred Rent would total approximately $600,984 ($21,784 less $10,000, the proposed monthly rent, or $11,784 X 51 months), based on an estimated Threshold Date of February 1, 2007, which is the latest date that the Threshold Date can occur. The Budget Analyst concurs with these calculations based on the assumption that the Threshold Date occurs on February 1, 2007. If the restaurant revenues exceed $6,000,000 prior to February 1, 2007, the total deferred rent would be less than $600,984 and the Base Rent would be subject to CPI adjustments before February 1, 2007.

3. As noted on page 7 of Attachment I, the Port estimates that total reduced rent to the Port under the proposed Fourth Amendment would be an estimated $2,003,679 for the period from 2003 through 2014, as follows:

- $364,186 in reduced rent, resulting from the reduction in percentage rent by one percentage point from 7 percent to 6 percent for the period from 2003 through 2014.
- $790,756 in reduced rent, resulting from the provision that the Port receives no percentage rent payments above the Base Rent for the period from 2003 through 2006; and
- $848,737 in reduced rent, resulting from the provision that the Port receives only 50 percent instead of 100 percent of the percentage rent due to the Port above the Base Rent for the period from 2007 through 2012.

Based on the Port's assumptions of revenue growth, as shown on pages 10 and 11 of Attachment I, the Budget Analyst concurs with these calculations, that

the proposed Fourth Lease Amendment would result in reduced rental revenue to the Port of $2,003,679. If Bundox is able to pay the Port an estimated $600,984 in Deferred Rent as noted on page 7 of Attachment I, total estimated reduced rent to the Port under the Fourth Amendment would be $1,402,695 ($2,003,679 less $600,984). However, this reduced rent would be partially offset by the Port not having to apply future rent credits to Bundox as explained in Comment No. 4.

4. As noted above, under the 1994 Lease, the Port would apply rent credits to the rent Bundox is to pay to the Port such that Bundox would not pay to the Port the full amount which the Percentage Rent exceeds the Base Rent. Based on actual tenant improvement costs, actual rent credits which could have been granted by the Port to Bundox total $1,638,773. Under the proposed Fourth Amendment, the Port would no longer have to apply rent credits to Bundox for the amount of the Percentage Rent in excess of Base Rent. Page 2 of Attachment I shows that the total rent credits applied to date against rent is $401,655, with the balance of $1,237,118 in rent credits remaining ($1,638,773 less $401,655). Total estimated reduced rental revenues to the Port, therefore, ranges from $165,577, if Bundox pays back to the Port Deferred Rent ($1,402,695 less $1,237,118) to $766,561 if Bundox is not able to pay the Port back the Deferred Rent ($2,003,679 less $1,237,118).

5. Ms. Anderson reports on page 8 of Attachment I that the proposed rent under the Fourth Amendment is comparable to San Francisco market rents. Ms. Anderson states that the Port determined market rents, based on an informal survey of similarly sized "white tablecloth" restaurants in San Francisco. As noted on page 8 of Attachment I, Ms. Anderson states that,

> "the collective opinion by brokers is that the current market rate for a 'white tablecloth' restaurant in the San Francisco Bay Area comparable to the Waterfront would be in the $1.00/s.f. -$2.00/s.f. range, with percentage rent at about 5%."

As noted above, the proposed Fourth Lease Amendment is approximately \$1.08 per square foot per month for the Base Rent and six percent of gross revenues under the percentage rent, which is at the low end of the range of \$1.00 to \$2.00 per square foot cited above to be the market value for base rent. Also, since future CPI adjustments to the Base Rent will not occur until the Threshold date is reached (the earlier of (a) February 1, 2007, or (b) the date gross revenues of the restaurant exceeds \$6,000,000) the Base Rent is likely to be considerably below market rates over the remaining term of the current lease (through June 30, 2016) and the extended term of the lease under the Fourth Lease Amendment (July 1, 2016 through January 31, 2025).

6. According to Mr. Al Lerma of the MOCD, the Section 108 Loan Program provides loans exceeding \$100,000 to businesses that support the economic development initiatives of the City including reducing unemployment and maintaining a diversified economic base. Page 1 of Attachment III provided by Mr. Lerma contains an explanation of why Bundox qualified for a MOCD Section 108 Loan, the purpose of the loan, a description of the loan program, the loan payment terms, and an explanation of the financial reporting requirements under the loan. As noted on Page 3 of Attachment III, MOCD receives periodic financial statements from Bundox.

7. According to Mr. Lerma, MOCD received, the audited financial statements of Bundox for 2001 which showed a net loss by Bundox for the fiscal year from the operation of the Waterfront Restaurant. As explained on page 1 of Attachment IV in a memorandum provided by Mr. Lerma, if Bundox defaults on the Section 108 Loan, then the MOCD would a) have to pay rent to the Port in order to keep the lease in good standing, and b) be required to continue making loan payments to HUD for the outstanding Section 108 loan balance. As further stated on pages 1 and 2 of Attachment IV, the source of funds for such rent payments and loan payments would be from 1) program income generated from MOCD's revolving loan funds, and 2) the annual Community Development Block Grant.

8. According to Mr. Lerma, the MOCD will agree to amend the Loan Agreement to 1) extend the term of the loan period by 13 years, from the current ending date of February 2012 to the ending date of January 31, 2025, thereby reducing the monthly loan payment by $11,105, from $33,000 to $21,895 and 2) reduce the interest rate on the loan from nine percent to six percent. Page 3 of Attachment IV, provided by Mr. Lerma compares the debt service under the Original Loan terms with the debt service under the MOCD Revised Loan terms.

9. According to Ms. Anderson, Bundox began paying reduced Base Rent of $10,000 on November 1, 2002, prior to Board of Supervisors approval, on the expectation that the Board of Supervisors would approve the proposed lease amendment. According to Ms. Patel, Bundox is legally obligated to pay the Port the difference between the current rental rates and rental rates collected since November 1, 2002 if the proposed Fourth Amendment to the Lease is not approved by the Board of Supervisors. The Budget Analyst notes that the Port does not have assurance that any additional rent payments due to the Port by Bundox from November 1, 2002 would be paid if this resolution were not approved by the Board of Supervisors. The Budget Analyst also notes that the proposed legislation does not designate an effective date of November 1, 2002 for the Fourth Amendment. Therefore, the Budget Analyst recommends amending the proposed resolution to include the November 1, 2002 effective date.

10. Under the proposed Fourth Amendment, the Port would receive reduced rent ranging from an estimated minimum of $165,577 to an estimated maximum of $766,561 (see Comment No. 4). However, as noted in Comment 5, the proposed Fourth Lease Amendment is approximately $1.08 per square foot per month for the Base Rent, which is at the low end of the range of $1.00 to $2.00 per square foot cited by the Port as market value for the base rent. Also, since future CPI adjustments to the Base Rent will not occur until the Threshold date is reached (the earlier of (a) February 1, 2007, or (b) the date gross revenues of the restaurant exceeds $6,000,000), the Base Rent is

Ms. Anderson reports that because Bundox was unable to obtain financing for Phase I of the tenant improvements, the Lease became void on July 1, 1995 (Attachment II, page 3). Ms. Anderson reports that during the six-month period between December of 1994 and June 30, 1995, Bundox operated the Waterfront Restaurant under the 1994 Lease terms (i.e., the greater of Base Rent of $17,500 monthly or 7 percent of gross revenues). Bundox obtained preliminary approvals for loans from Heller First Capital and the Mayor's Office of Community Development (MOCD), which enabled Bundox to enter into the Lease. On June 24, 1996, the Board of Supervisors reaffirmed the previously voided (as of June 30, 1995) 20-year lease, for a new 20-year term from July 1, 1996 through June 30, 2016, and approved the First Amendment to the Lease and Consent to Encumbrance (File No. 65-94-17). Ms. Anderson notes that during the one-year period between June 30, 1995, when the 1994 Lease was voided, and June 24, 1996, when the Lease was reaffirmed, Bundox operated the Waterfront Restaurant on a month to month holdover basis under the pre-1994 Lease terms. According to Ms. Patel of the City Attorney's Office, under the Consent to Encumbrance, in the event of nonpayment of the MOCD loan by Bundox, MOCD would have the right to acquire the leasehold asset from Bundox which would include assuming obligations of the Lease, including all payments owed by Bundox to the Port. Accordingly, to pay the obligations of the lease, MOCD would have the option to either a) operate the Waterfront Restaurant or b) sublease the Waterfront Restaurant to a new owner subject to consent by the Port.

On November 1, 1996, Bundox entered into a Loan Agreement with the City through the MOCD Section 108 Loan Program, funded by the U.S. Department of Housing and Urban Development (HUD), in the amount of $3,250,000 (see pages 1 and 2 of Attachment III). The purpose of the loan was to fund the entire construction cost for Phase I and Phase II of the tenant improvements according to Mr. Lerma (see Comment No. 6). According to Ms. Anderson, the MOCD Section 108 Loan provided for more favorable

likely to be considerably below market rates over the proposed extended term of the lease which is January 31, 2025 under the subject Fourth Lease Amendment.

11. According to Ms. Anderson, the Port has on occasion entered into agreements for temporary reductions in rent with Port tenants when such tenants face temporary financial difficulties. However, such tenants are then required to reimburse the Port in full, any amounts not paid under such temporary rent reductions. Ms Patel states that, under Appendix B3.581(g) of the City's Charter, the Port has the exclusive authority to administer leases granted by the Port Commission. Ms. Anderson advises that such written payment agreements do not require modifications to the Lease, and are not subject to Board of Supervisors approval since the Port does not waive the right to full rent payments under the terms of the agreements.

Recommendations: 1. In accordance with Comment No. 9, amend the proposed resolution to include the November 1, 2002 effective date of the Fourth Modification to the Lease.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

MEMORANDUM

TO: Leanne Nhan, Budget Analyst Office

FROM: Carol Anderson, Port of San Francisco

RE: Waterfront Restaurant Lease Amendment

DATE: April 4, 2003

Below are the Port's responses to the questions posed by you in your emails to Ken Winters.

What is the history of the Waterfront Restaurant at the Port?

The Bundox Restaurant Inc. ("Waterfront") has operated at the same location since 1969 when Al and Cheryl Falchi bought the Pier 7 Café. The restaurant operated until 1973 when it was severely damaged by a fire that destroyed Pier 7. A new building was constructed and, in July 1975, the Waterfront Restaurant reopened at the present location. In 1994, the Port and the Waterfront entered into a new 20-year lease in the form of Port Lease L-11859 (the "Lease").

In 1996, the Falchi's proposed to expand and significantly remodel the Waterfront Restaurant. To fund the proposed capital and tenant improvements, the Falchi's obtained a \$3.25 Million loan from the Mayor's Office of Community Development ("MOCD"), referred to as the "MOCD Loan". Approximately \$1.4 Million of the MOCD Loan were utilized to build public access improvements required by BCDC. The MOCD Loan also required the Borrower to create and maintain 85 new full-time jobs for City residents.

Because the proposed improvements increased the value of the Port's real estate asset as well as public access on the waterfront, the Port agreed to participate in the capital investment through credits applied against rent payable by the Waterfront. Specifically, the Port agreed to give Waterfront a rent credit, up to a maximum of \$1.7 million, or approximately 50% of percentage rent[1] payable in excess of minimum rent. The Port and Falchi's amended the terms of the Lease to reflect this agreement in 1997.

The Waterfront has consistently generated rental income to the Port since 1969. In addition, the restaurant serves as an important anchor tenant at the foot of Broadway and the Embarcadero.

[1] In a typical office lease, the tenant pays rent calculated as a specific dollar amount per each square foot occupied (\$/s.f.). In a typical restaurant lease rent is calculated as the greater of a specific dollar amount per each square foot occupied by the restaurant (\$/s.f.) *versus* a percentage of gross sales produced on the premises.

What is the current exact square footage of the Waterfront?
The Waterfront now totals 11,894 square feet in dining area, of which 9,189 s.f. is interior dining space which may be used year-round, with an additional 7,359 square feet in public access and parking areas.

What are the net revenues received by the Port as a result of the Lease. from 1997 to the present?

Below, please find a summary of the actual numbers taken from the percentage rent reports for the period 1997-2002 for Bundox. Though I recognize that in some cases the numbers do not add up as you might expect them to, they are the actual numbers per these reports. The numbers below vary slightly from those originally presented to you due to rounding.

Year	Gross Sales	Total % Rent Due to Port	Minimum Rent	Percent Rent Overage Paid to Port	Percent Rent Utilized as Rent Credits to Waterfront
1997	$ 2,795,503	$ 195,685	$ 110,000	$ 87,094	*$61,575
1998	$ 6,258,790	$ 438,115	$ 197,500	$ 144,369	$ 96, 246
1999	$ 6,941,517	$ 485,906	$ 221,498	$ 158,645	$ 105,763
2000	$ 6,628,727	$ 464,011	$ 232,995	$ 138,610	$ 92,406
2001	$ 4,702,050	$ 329,143	$ 232,995	$ 57,689	$ 38,459
2002	$ 3.688.560	$ 258.199	$ 247.206	$ 10.807	$ 7.205
	$31,015,147	$ 2,171,059	$ 1,242,194	$ 597,214	$ 401,655

*Total of Percentage Rent Utilized as Rent Credits from Lease Commencement through 1997, per Port percentage rent records. The rent credit balance totals $1,298,346.

What problem is being addressed by the Lease amendment?
The Falchi's expected to repay the sizeable MOCD Loan undertaken in 1997 for the capital improvements through increased sales resulting from their total renovation of the Waterfront Restaurant. In addition to simply providing more cash flow, the increased sales would enable the Falchi's to utilize the rent credits provided by the Port as its contribution towards the capital improvements. The Falchi's could apply the dollars saved as a result of the rent credits against the monthly MOCD loan payments.

However, the sales projections turned out to be too optimistic. Waterfront's sales began to drop in late 2000 due to the decline in the S.F. Bay Area high-tech market and overall economy. Sales were further negatively impacted by the events of September 11, 2001. Beginning in late 2000 and continuing to today, sales have declined to a point where they are not sufficient to produce any significant percentage rent in excess of minimum rent. As a result of this low level of sales, the Falchi's have been unable to receive rent credits for their capital investments as contemplated by the Lease. Without the expected rent relief and excess cash flow, the Waterfront has found it increasingly difficult, if not impossible, to cover its fixed costs, keep current on Port minimum rent, and to make interest payments on the sizeable MOCD Loan.

Unless the Waterfront is provided immediate and significant economic relief, it will most likely default on the Lease. Such a default would adversely impact both the Port and the City. The Port would be forced to find another operator for the Waterfront, presumably through a bidding process. Whether an operator of an upscale restaurant can be found in this economy is very uncertain.[2] Most likely, the Port would have to offer more favorable terms than those in the Lease, or contemplated in the proposed lease amendment, to attract a new operator in this economy. Even if an operator were found, the process of finding a new operator, negotiating a deal and seeking all approvals of the deal would take many months to complete, during which time the Port would receive absolutely no rental income.

The City would be negatively impacted by a default as well. As noted above, the City, acting through MOCD, loaned the Falchi's $3.25 Million for specified leasehold improvements. The MOCD Loan was secured primarily by a leasehold deed of trust. If the Falchi's default on the loan, the City could seek to foreclose the leasehold deed of trust. However, the Lease would provide little or no economic relief to the City. Given the state of the economy, the City would not be able to find a new operator willing to assume the terms of the existing Lease and pay some or all of the MOCD Loan. Accordingly, MOCD would likely have a relatively small recovery on its loan. This loss of loan funds would directly lower, dollar for dollar, the amount of funds available to MOCD for future economic development loans (and result in a concomitant loss of future jobs that would have been created by these loans).

What is the solution to the problem?

The solution to the problem is to prevent the Waterfront from defaulting on the Lease and MOCD Loan and enable it to continue as an economically viable, long-term tenant of the Port and the community of San Francisco. Towards this goal, MOCD and the Port have negotiated with the Waterfront a comprehensive restructuring of the MOCD Loan and Lease. This restructuring is necessary to enhance the Waterfront's cash flow, which will in turn enable the Waterfront to continue repaying the MOCD Loan and rent to the Port.

The proposed Lease restructuring is predicated on a cash flow model that fits within the projected operations of the Waterfront. Essentially, it provides the Waterfront approximately four years of "breathing room" to get back on its feet, as described below.

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[2] In fact, given the current restaurant rental market, the Port believes that no viable substitute tenant for the Waterfront will be found in the foreseeable future. The failure rate of "white table" restaurants in San Francisco is at an all time high and finding replacement tenants in this market is extremely difficult, if not impossible. According to Golden Gate Restaurant Association, the San Francisco restaurant industry lost approximately 14% (annualized) of its restaurants during 2001. This would total approximately 450 restaurants out of a total of 4200 restaurants. As example of this, the Port is in the process of executing a lease assignment at Pier 33 north for a high end restaurant space for 6,772 s.f., minimum rent of $1.04/s.f., percentage rent of 5% for year 1, 6% for year 2 and 7% for year 3 and thereafter. A restaurant space at Pier 33 south, though vastly inferior to the Waterfront, has been vacant for over a year, and totals approximately 4,865 s.f.. This space is under lease to a master tenant who has been attempting to sublease the restaurant at $6,000 per month, or $1.25/s.f., with no percentage rent, and to date has been unsuccessful at leasing the space.

While a more detailed description of the Lease amendment terms is provided further below, the general terms of the Lease modification are as follows:

(1) Extension of the term of the Lease from August 30, 2016 to February 1, 2025;
(2) Reduction of the base rent from $21,784 to $10,000 per month;
(3) Reduction of the percentage rent from 7 percent to 6 percent;
(4) Application of a portion of the percentage rent payable to the Port instead to the MOCD Loan as accelerated principal paydown for a certain time period; and
(5) Participation by the Port in refinance or sales proceeds.

The MOCD Loan amendment is not subject to Board of Supervisors approval. However, the general terms of this amendment are as follows:

(1) Reduction of the interest rate from 9 percent to 6 percent; and
(2) Extension of the loan term and amortization schedule to January 31, 2025, thereby reducing loan payments from approximately $33,000 to $21,895 per month.

Description and Analyses of Lease Amendment Terms

Term:
The Port will extend the term of the lease to January 31, 2025.[3] A 20+ year lease term increases the value and desirability of the Waterfront with regard to a potential sale or refinance, due to the ability of a purchaser to amortize its investment over a commercially reasonable period of time. Creating such increased value is important to the City and Port because it would better enable the City to recover the MOCD loan funds and the Port an opportunity to recapture its "deferred rent" (as explained below).

Monthly Base Rent:
Commencing on November 1, 2002 and continuing throughout the Term, the Waterfront agrees to pay a monthly base rent of Ten Thousand Dollars ($10,000.00). After the Threshold Date, the base rent will be adjusted in direct proportion to the percentage increase in the Consumer Price Index (CPI). The Threshold Date is the earlier of (a) the first day of the calendar month following the date when gross receipts exceed Six Million Dollars ($6,000,000) in a Fiscal Year, or (b) February 1, 2007.

Deferred Rent:
The Port has subordinated a certain amount of rent as a result of Waterfront's current level of sales revenues and the anticipated time Waterfront will need to emerge from its current economic situation.

"Deferred Rent" is the difference between (i) $10,000 (base rent paid by the Waterfront from November 1, 2002 to the Threshold Date); and (ii) $21,784.79, (the base rent under the current Lease) times the number of calendar months from November 1, 2002 to the Threshold Date. The Port estimates the Deferred Rent to total $600,984, based on a

[3] The Lease extension of approximately 9 years coincides with the MOCD loan extension, so that both the Lease and MOCD Loan will have co-terminus expiration date.

Threshold Date of February 1, 2007 ($11,784.79 X 51 months). Deferred Rent will be repaid to the Port at the end of the Lease term or when and if there is a sale of the Waterfront Restaurant to the extent excess sale proceeds exist after repayment of the MOCD loan.

Percentage Rent:
Waterfront agrees to pay percentage rent to Port in the amount of six percent (6%) of gross receipts. Percentage Rent due each month is limited to the amount such percentage rent exceeds the base rent for said month—in no event will total rent to the Port exceed 6% of gross sales revenues. The following outlines how the Percentage Rent will be payable during the term of the Lease.

1. Commencing from November 1, 2002 to the Threshold Date, Waterfront's obligation to pay percentage rent will be subordinate to the payment of its operating expenses. That is, Waterfront will not have to pay any monthly percentage rent if its expenses exceed its income. But, to the extent Waterfront generates a net operating income in any month, Waterfront must pay 50% of that net operating income to MOCD as additional principal debt reduction of the MOCD Loan in lieu of paying percentage rent to the Port.[4] Waterfront will be entitled to retain the remaining 50% of NOI. This recovery period is designed to provide the flexibility to Waterfront to cover current expenses during the critical next four years.

2. For the period commencing from the Threshold Date to January 31, 2012, Waterfront will make monthly payments of percentage rent based upon its gross receipts (without regard to the its operating expenses). During this period, Waterfront will owe the Port the greater of base rent or 6% of gross sales. However, the Port will require Waterfront to pay 50% of the overage amount (i.e., the difference between 6% of gross sales and base rent) as principal debt reduction of the MOCD Loan. This overage amount is expected to reduce the MOCD principal amount additionally by approximately $765,000. This will significantly shorten the time necessary to pay down the MOCD loan, which is amortized over 20 years per the proposed modification.

3. For the period commencing from February 1, 2012 and continuing for the remainder of the Term, Waterfront will owe the Port the greater of base rent or 6% of gross sales, with no portion of such amount paid to MOCD.

Deletion of Improvement Credits:
The concept of rent credits for improvements made to the premises by Waterfront will be deleted in its entirety. As explained above, rent credits were structured into the Lease to reflect that portion of the capital and tenant improvements adding public access and value

[4] The maximum amount of NOI Waterfront would have to pay to MOCD would be the amount that would otherwise be due under percentage rent as calculated based on gross receipts (i.e., 6% of gross receipts, less base rent).

to the Port's asset. However, because of the low sales, the Waterfront was not able to utilize most of these rent credits.

The restructured Lease provides Waterfront a more immediate and direct means of receiving credit for its capital improvements than the original rent credit approach. As explained above, the base rent has been reduced by $11,784.79/month and the percentage rent from 7% to 6%/month for the life of the Lease term. In addition, the Port receives no percentage rent payments until the Threshold Date, After the Threshold Date until January 31, 2012, the Port will share 50% of the percentage rent payments with MOCD. Overall, the above modifications enable Waterfront to fully recapture the $1.7 million originally contemplated in the Lease, and are based on Waterfront Restaurant sales projections.

Payments Upon Transfer of Lease and Refinancing of Debt:
Waterfront agrees that if, at any time during the Term, the Waterfront transfers this Lease in connection with a sale of the restaurant business or any of the assets of the restaurant business, the net proceeds will be distributed as in a priority order. First, the proceeds will be used to pay off the balance of the MOCD loan. Next, the proceeds will go to pay the Port Deferred Rent. The remainder of the proceeds, if any, will be shared equally by the Port and Waterfront. As well, the Port would have opportunity to renegotiate new lease rates with a new owner after a year. The year-long time interval provides the Port the time to understand the business and realistically project performance of the new owner/operator so as to obtain the most favorable terms to the Port when it re-negotiates the new lease rates.

<u>What are safeguards for the future?</u>
Waterfront will be required to follow and implement the recommendations of a consultant, retained under contract with the San Francisco Small Business Development Center, who is currently performing a review of the Waterfront's operations with the goal of increasing the profitability of the restaurant. The Port has also required that the Waterfront provide annual financial statements, including profit and loss and balance sheet, at the end of each fiscal year prepared by an independent accountant and certified by the tenant as fairly representing tenant's financial condition. In addition, the Port will continue to have the default remedies under the lease so if Waterfront fails to perform, Port can pursue such remedies.

<u>What is the estimated total reduction in revenue to Port as result of reduction in percentage rent?</u>
Sales and expense projections provided by the Waterfront through 2007 were utilized to analyze cashflow during the lease. The Port extended these projections utilizing a 3% growth rate through 2014, acknowledging that even extending projections this far out is not very useful, as many variables come into play that influence performance. However, utilizing figures per the attached spreadsheets and per the proposed structure, for the period 2003 – 2014, the difference in percentage rent is estimated as follows:

Total Percentage Rent at 7%:	$ 3,389,308
Total Percentage Rent at 6%:	$ 3.025.122
Difference/Reduction Estimated in Rent to Port:	$ 364,186

As discussed above, the current market rate for percentage rent for a restaurant the size of the Waterfront is in the 5%-6% range.

What is the estimated total reduction in revenue to Port as result of reduction in rent?
The estimated total reduction in revenue to the Port for the period projected from 2003-2014 as a result of a reduction in the rent consists of four categories as follows:

(1) Deferred Rent: The Port has subordinated a certain amount of rent as a result of Waterfront's current level of sales revenues and the anticipated time Waterfront will need to emerge from its current economic situation. "Deferred Rent" is estimated to total **$600,984**. However it must be noted that this amount may be repaid to the Port per the structure when and if the Waterfront sells the restaurant, by utilizing net sale proceeds remaining after total repayment of the MOCD loan.

(2) Per the proposed structure, as discussed above, the revenue lost to the Port resulting from the difference of percentage rent of 7% and 6 % for this time period totals **$364,186.**

(3) Per the proposed structure, the Port's percentage rent overage over minimum rent is subordinate to the Waterfront's NOI. Therefore, the Port will forego approximately four years (2003-2006) of percentage rent. Per the attached spreadsheet, calculating percentage rent at the proposed 6%, this amount totals **$790,756.**

(4) Per the proposed structure, 50% of the percentage rent due to the Port from the Threshold Date (estimated at February 1, 2007) through 2012 is to be paid instead as priority principal repayment to MOCD. Per the attached spreadsheet, calculating percentage rent at the proposed 6%, this amount totals **$ 848,737.**

Therefore, assuming deferred rent is paid back, the potential revenue concession made by the Port during this period would be $1.4 Million. If deferred rent is not collectible, this concession would increase to potentially $2 Million.

Note that during this period, the reduction in minimum rent is irrelevant because sales are high enough to place the lease in percentage rent.

What is the estimated "deferred rent" between November 1, 2002 and Threshold Date?
The Lease amendment provides that Deferred Rent stops accruing the earlier to occur of February 1, 2007 or the date when Waterfront's sales reach $6 million. The Port cannot predict with certainty when Waterfront's sales will increase to $6 million, and therefore has utilized the date of February 1, 2007. Given this, the maximum "deferred rent" will equal $600,984 ($11,784.79 X 51 months).

Provide a list of other Port/City restaurant leases with similar NOI provisions:
There are no other Port restaurant leases which provide that percentage rent is subordinate to Net Operating Income. This provision was structured into the deal because of the need to provide immediate temporary relief to the Waterfront. Note that this is available only for the period November 1, 2002 until the Threshold Date, estimated at the outside at February 1, 2007.

Provide further explanation of transfer language re "…any unpaid Deferred Rent forgiven in event of an approved sale":
Deferred rent is to be repaid only from net profits remaining upon sale of the restaurant. As explained above: First, net proceeds of a sale or refinance will first go to pay any unpaid balance remaining on the MOCD Loan; Second, should any funds remain, they will then go towards repayment to the Port of any Deferred Rent accrued between November 1, 2002 and the Threshold date, estimated at approximately $600,984. In the event the Falchi's are unable to sell the Waterfront at a sufficiently high price to pay both the MOCD and Deferred Rent, any unpaid Deferred Rent will be forgiven by the Port and the new assignee of the Lease will not be obligated to pay any such remaining amount. The Port reserves the right to consent to a sale. In the event of a refinance, however, should such a refinance not produce sufficient proceeds to pay off the deferred rent, this balance will be carried forward.

The Proposed Lease is at Current Market
As discussed in the April 4th memo, the Port believes that proposed lease rates are comparable to the current San Francisco restaurant market. The proposal reflects rents typical of a restaurant of Waterfront's size, large relative to most, and quality, operating in today's economic climate. No new restaurant leases have been executed for a number of years in San Francisco for restaurants comparable in size and quality to the Waterfront. However, the collective opinion by brokers is that the current market rate for a "white tablecloth" restaurant in the San Francisco Bay Area comparable to the Waterfront would be in the $1.00/s.f. -$2.00/s.f. range, with percentage rent at about 5%. According to brokers, percentage rents from 5% on the low side to 7% at the absolute highest, are the range in which restaurants can afford to pay rent and stay in business.

Informal restaurant "comparables" as from various brokers include Boulevard Restaurant at Mission/Embarcadero, which reportedly grosses $8 million annually, has a minimum base rent $2.00-$3.00/s.f. and percentage rent between 5% and 6%, and One Market Restaurant which reportedly has a minimum base of approximately $2.00/s.f., and percentage rent of 5%. Max's Café near PacBell Park recently closed due to the economic climate, and reportedly totaled 12,000-13,000 s.f. with a rental rate of $2.00/s.f.

The proposed rates for the Waterfront restaurant are well within the range of rates as discussed above. Waterfront's minimum rent per square foot when calculated ranges from $1.08/s.f. based on the interior dining area of 9,189 s.f. which is utilized year round, down to $.84/s.f., when the two out door dining areas, totaling an additional 2,705 s.f., are added to the calculation. The percentage rent of 6% is mid-range of the generally accepted range for restaurant rents

	Minimum Rent	Percentage Rent
Current S.F. Market Rent:	**1.00/s.f.-$1.50/s.f.**	**5%-6% of gross sales**
Proposed Waterfront Rent:	**$.84/s.f. - 1.09/s.f.**	**6% of gross sales**
Current Waterfront Rent:	$1.78/s.f.	7% of gross sales

WATERFRONT

Projected @ 5 % Growth	2003	2004	2005	2006	2007	2008
GROSS REVENUES	**$ 4,825,443**	**$ 5,305,787**	**$ 5,395,151**	**$ 5,652,891**	**$ 5,923,518**	**$ 6,219,694**
OPERATING EXPENSES						
Total Cost of Sales	$ 1,287,242	$ 1,415,966	$ 1,437,948	$ 1,509,845	$ 1,585,337	$ 1,632,897
Total Cost Of Labor	$ 1,720,552	$ 1,892,607	$ 1,918,250	$ 2,014,163	$ 2,114,871	$ 2,178,317
Operating / General Expenses	$ 1,135,409	$ 1,186,008	$ 1,216,104	$ 1,257,240	$ 1,299,887	$ 1,338,884
Taxes	$ 39,320	$ 43,252	$ 43,826	$ 46,017	$ 48,318	$ 50,818
Interest	$ 108,447	$ 108,447	$ 108,447	$ 108,447	$ 108,447	$ 108,447
Bank Cards & Other Discounts	$ 157,757	$ 162,499	$ 167,374	$ 172,395	$ 177,567	$ 182,894
FTB Minimum Annual Tax	$ 800	$ 800	$ 800	$ 800	$ 800	$ 800
Total Operating Expenses	**$ 4,449,528**	**$ 4,809,579**	**$ 4,892,749**	**$ 5,108,907**	**$ 5,335,228**	**$ 5,493,058**
Port Percentage Rent 6%	**$ 289,527**	**$ 318,347**	**$ 323,709**	**$ 339,173**	**$ 355,411**	**$ 373,182**
PORT Minimum Rent Payment	$ 120,000	$ 120,000	$ 120,000	$ 120,000	$ 120,000	$ 120,000
Percentage Rent Overage	$ 169,527	$ 198,347	$ 203,709	$ 219,173	$ 235,411	$ 253,182
MOCD Loan Payment	$ 262,735	$ 262,735	$ 262,735	$ 262,735	$ 262,735	$ 262,735
Total Lease/Loan Expenses	**$ 382,735**	**$ 382,735**	**$ 382,735**	**$ 382,735**	**$ 618,146**	**$ 635,917**
NET OPERATING INCOME	**$ (6,820)**	**$ 113,473**	**$ 119,667**	**$ 161,249**	**$ (29,856)**	**$ 90,719**
NOI Distribution						
MOCD as Addl Principal Paydown	**$ -**	**$ 56,736**	**$ 59,833**	**$ 80,624**	**$ -**	**$ -**
Waterfront as Cushion	**$ -**	**$ 56,736**	**$ 59,833**	**$ 80,624**	**$ -**	
Percentage Rent Overage Distribution						
Total Percent Rent Overage	**N/A**	**N/A**	**N/A**	**N/A**	**$ 235,411**	**$ 253,182**
Overage to MOCD (Addl Prin. Paydown)	**$ -**	**$ -**	**$ -**	**$ -**	**$ 117,706**	**$ 126,591**
Overage to PORT	**$ -**	**$ -**	**$ -**	**$ -**	**$ 117,706**	**$ 126,591**

2009	2010	2011	2012	2013	2014	
$ 6,530,679	$ 6,857,213	$ 7,200,073	$ 7,560,077	$ 7,938,081	$ 8,334,985	
$ 1,681,884	$ 1,732,341	$ 1,784,311	$ 1,837,840	$ 1,892,976	$ 1,949,765	
$ 2,243,667	$ 2,310,977	$ 2,380,306	$ 2,451,715	$ 2,525,266	$ 2,601,024	
$ 1,379,051	$ 1,420,422	$ 1,463,035	$ 1,506,926	$ 1,552,134	$ 1,598,698	
$ 53,318	$ 55,818	$ 58,318	$ 60,818	$ 63,318	$ 65,818	
$ 108,447	$ 108,447	$ 108,447	$ 108,447	$ 108,447	$ 108,447	
$ 188,381	$ 194,032	$ 199,853	$ 205,849	$ 212,024	$ 218,385	
$ 800	$ 800	$ 800	$ 800	$ 800	$ 800	
$ 5,655,548	$ 5,822,837	$ 5,995,070	$ 6,172,395	$ 6,354,965	$ 6,542,937	
$ 391,841	$ 411,433	$ 432,004	$ 453,605	$ 476,285	$ 500,099	
$ 120,000	$ 120,000	$ 120,000	$ 120,000	$ 120,000	$ 120,000	$ 1,440,000
$ 271,841	$ 291,433	$ 312,004	$ 333,605	$ 356,285	$ 380,099	
$ 262,735	$ 262,735	$ 262,735	$ 262,735	$ 262,735	$ 262,735	
$ 654,576	$ 674,168	$ 694,739	$ 716,340	$ 739,020	$ 762,834	
$ 220,555	$ 360,208	$ 510,263	$ 671,342	$ 844,095	$ 1,029,213	
$ -	$ -	$ -	$ -	$ -	$ -	
$ 271,841	$ 291,433	$ 312,004	$ 333,605	$ 356,285	$ 380,099	
$ 135,920	$ 145,716	$ 156,002	$ 166,802	$ -	$ -	
$ 135,920	$ 145,716	$ 156,002	$ 166,802	$ 356,285	$ 380,099	$ 1,585,122
						$ 3,025,122

BUNDOX (WATERFRONT RESTAURANT LEASE AMENDMENT COMPARISON

ORIGINAL LEASE L-11859

Background:	Bundox had been a tenant at Pier 7/1/2 since 1969. Bundox Requested a new lease with a proposed business plan for restaurant renovation and expansion requiring significant capital investment.
Date of Lease:	December 20, 1994.
Port Commission Approval:	Resolution No. 94-133 October 25, 1994
Board of Supervisor Approval:	Resolution No: 1035-94 File No: 65-94-17 Ordinance No. 412-94 December 19, 1994
Premises:	Restaurant: 9,650 s.f.; Parking: 2,828 s.f.; Outdoor Patio/Public Access: 8,668 s.f.
Lease Term:	20 Years, to Commence as of "Commencement Date" or by 7/30/92, or lease is Void. Requirements for Commencement Date include: (i) Receipt of Conditional Use Permit by City Planning Dept., (ii) BCDC Permit, (iii) Adoption of Ordinance by S.F. Board of Supervisors approving Lease, (iv) Financing of TI's at commercially reasonably terms, and (v) receipt of Port Building Permit for Phase I.
Percentage Rent:	7% of Gross Receipts
Minimum Base Rent:	$5,000/mo until Phase I TI's done during time restaurant closed and under construction for a maximum of 9 months; then $17,500/mo, with CPI increase every 3 years.

Tenant Improvements:	Per Plant Construction Preliminary Construction Estimate, September 10, 1993, partially modified March 23, 1994. Note this estimate did not include other costs associated with the overall renovation, such as furniture, fixtures, and equipment, as well as additional soft costs. Phase I Improvements: Budget: $1.875 Million. Building area expansion and improvements to the second floor of the building Phase II Improvements: Budget $1.055 Million. Outside of building. Demolition of finger pier and construction of replacement pier; construction of two outdoor eating areas, one valet parking area, and new public access walkway along water.
Rent Credits from Port:	Allowable at 50% of Certified Costs by Waterfront: Phase I: Maximum Rent Credits, $1 million Phase II: Maximum $700,000; Rent Credits returned to Waterfront at rate of 40% of the Percentage Rent due to Port in excess of Minimum Base Rent.
Financing:	None described in lease. However, Commencement Date contingent on Waterfront obtaining financing of TI's at commercially reasonable terms for Phase I improvements.
Other:	Affirmative Action Plan required per lease.
Comments:	Lease was Void as Waterfront did not fulfill requirement for Lease Commencement. Commercially reasonable financing for TI's not obtained, therefore no building permit was issued by the Port. However, Waterfront was still in possession and continued to pursue financing.

REAFFIRMATION AND AMEND. TO LEASE AND CONSENT TO ENCUMBRANCE

Background:	Once Lease became Void as of 7/1/95, Bundox asked the Port to reaffirm the Lease, extend the time for Bundox to obtain financing until June 30, 1996, to include certain modifications to the Lease and to consent to encumbrance of the leasehold by Bundox's proposed lenders. In early 1996, Bundox entered into negotiations for financing with Bank of America and the Small Business Administration. In June 1996, Bundox's negotiations with B of A and SBA stalled and Bundox entered into negotiations with Heller First Capital. The Reaffirmation was modified to replace BofA and SBA with Heller First Capital and the SF Mayor's Office of Community Development (MOCD). Heller provided the Port with satisfactory proof of a loan commitment to satisfy the Lease condition and the Lease went into effect July 1, 1996.
Date of Amendment:	June 28,1996
Port Commission Approval:	Resolution No: 96-15 February 27, 1996
Board of Supervisor Approval:	File No: 65-96-10 Ordinance No: 261-96 June 24, 1996
Lease Term:	Commencement Date or June 30, 1996, or Lease is Void. Term up to 22 years if Phase I/II done at same time; Term of 20 years at completion of Phase I TI's or lease is Void. Requirements for Commencement Date include: (i) Receipt of Conditional Use Permit by City Planning Dept., (ii) BCDC Permit, (iii) Adoption of Ordinance by S.F. Board of Supervisors approving Lease, (iv) Financing of TI's at commercially reasonably terms as evidenced by a commitment letter of loan authorization issued by a qualified lender.
Financing:	Preliminary Approval of Heller First Capital ("Heller") and the MOCD as approved "Lenders".

Encumbrance:	Consent to the encumbrance of Bundox's Leasehold by lenders through a Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing in favor of both Heller, for a note not to exceed $1.25 Million, and MOCD, with a note not to exceed $2.0 Million.
Lease Amendments regarding Security Interests of Lender:	If Lease terminates for any reason or is rejected or disaffirmed pursuant to bankruptcy or other laws affecting creditors' rights, lender has the right to enter into a new lease on the same terms and conditions if they have remedied any monetary defaults; Lenders can assign the lease without the Port's consent in connection with lender's security documents if such assignment is by judicial or non-judicial foreclosure or deed in lieu of foreclosure, and any other assignments to a third party at a foreclosure sale must be approved by the Port; Lenders must consent to any voluntary surrender of the Lease; disposition of any insurance proceeds in case of loss, any eminent domain or condemnation awards or damages payable under the lease shall be first made to lenders as to their deeds of trust, and the Port waives the right to obtain a lien on any thing that may constitute a part of the fixtures on the Premises during the term of the loans.

AMENDMENT NO. 2 TO LEASE AND CONSENT TO ENCUMBRANCE

Background:	The lease went into effect on July 1, 1996 as a result of Heller First Capital providing satisfactory proof of a loan commitment. Although Heller had conditionally agreed to provide financing for the project, Bundox was able to obtain more favorable financing terms from MOCD. As a condition to providing the financing, MOCD requested the Port to consent to the encumbrance of the Lease. As well, the Reaffirmation was modified to delete provisions that were previously negotiated to suit the requirements of prior potential lenders. This amendment does not add any new provisions that had not been previously approved by the Port Commission and Board of Supervisors. Its purpose is to remove Heller as lender and consent to MOCD as lender, and to make non-substantial clerical corrections to the previous Reaffirmation and Amendment.
Date of Amendment:	November 13, 1996
Port Commission Approval:	Resolution No. 96-117 November 12, 1996
Financing and Encumbrance:	Approval of MOCD as lender and Consent to the encumbrance of Bundox's Leasehold by a Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing in favor MOCD, with a note not to exceed $3.25 Million.
Security Interests of Lender:	Substantially the same as provided for above.

AMENDMENT NO. 3 TO LEASE

Background:	Construction of the Waterfront Restaurant redevelopment project commenced May 1, 1997.
Date of Amendment:	July 22, 1997
Port Commission Approval:	Resolution No. 97-70 July 22, 1997
Minimum Base Rent:	Bundox requested an amendment to the Lease to provide that Minimum Base Rent of $5,000/mo during the construction period be allowed in the event Bundox kept the restaurant open during construction. Bundox wanted to keep the restaurant open during construction to retain employees and customers, but requested lower minimum rent due to limited sales volume expected in conjunction with relatively high operating costs.
Premises:	Restaurant: 11,184 s.f.; Parking: 4,153 s.f.; Outdoor Patio/Public Access: 6,608 s.f.
Premises/BCDC Public Access Improvements:	BCDC required that public access improvements be made in areas adjacent to Bundox premises resulting in modifications in the size and location of public access improvements
Tenant Improvements:	Phase II Improvements were modified to delete the construction of replacement pier and modification of the public access walkway along the waters' edge.

BUNDOX (WATERFRONT RESTAURANT
LEASE AMENDMENT COMPARISON

ORIGINAL LEASE L-11859

Background:	Bundox had been a tenant at Pier 7/1/2 since 1969. Bundox Requested a new lease with a proposed business plan for restaurant renovation and expansion requiring significant capital investment.
Date of Lease:	December 20, 1994.
Port Commission Approval:	Resolution No. 94-133 October 25, 1994
Board of Supervisor Approval:	Resolution No: 1035-94 File No: 65-94-17 Ordinance No. 412-94 December 19, 1994
Premises:	Restaurant: 9,650 s.f.; Parking: 2,828 s.f.; Outdoor Patio/Public Access: 8,668 s.f.
Lease Term:	20 Years, to Commence as of "Commencement Date" or by 7/30/92, or lease is Void. Requirements for Commencement Date include: (i) Receipt of Conditional Use Permit by City Planning Dept., (ii) BCDC Permit, (iii) Adoption of Ordinance by S.F. Board of Supervisors approving Lease, (iv) Financing of TI's at commercially reasonably terms, and (v) receipt of Port Building Permit for Phase I.
Percentage Rent:	7% of Gross Receipts
Minimum Base Rent:	$5,000/mo until Phase I TI's done during time restaurant closed and under construction for a maximum of 9 months; then $17,500/mo, with CPI increase every 3 years.

Tenant Improvements:	Per Plant Construction Preliminary Construction Estimate, September 10, 1993, partially modified March 23, 1994. Note this estimate did not include other costs associated with the overall renovation, such as furniture, fixtures, and equipment, as well as additional soft costs. Phase I Improvements: Budget: $1.875 Million. Building area expansion and improvements to the second floor of the building Phase II Improvements: Budget $1.055 Million. Outside of building. Demolition of finger pier and construction of replacement pier; construction of two outdoor eating areas, one valet parking area, and new public access walkway along water.
Rent Credits from Port:	Allowable at 50% of Certified Costs by Waterfront: Phase I: Maximum Rent Credits, $1 million Phase II: Maximum $700,000; Rent Credits returned to Waterfront at rate of 40% of the Percentage Rent due to Port in excess of Minimum Base Rent.
Financing:	None described in lease. However, Commencement Date contingent on Waterfront obtaining financing of TI's at commercially reasonable terms for Phase I improvements.
Other:	Affirmative Action Plan required per lease.
Comments:	Lease was Void as Waterfront did not fulfill requirement for Lease Commencement. Commercially reasonable financing for TI's not obtained, therefore no building permit was issued by the Port. However, Waterfront was still in possession and continued to pursue financing.

REAFFIRMATION AND AMEND. TO LEASE AND CONSENT TO ENCUMBRANCE

Background:	Once Lease became Void as of 7/1/95, Bundox asked the Port to reaffirm the Lease, extend the time for Bundox to obtain financing until June 30, 1996, to include certain modifications to the Lease and to consent to encumbrance of the leasehold by Bundox's proposed lenders. In early 1996, Bundox entered into negotiations for financing with Bank of America and the Small Business Administration. In June 1996, Bundox's negotiations with B of A and SBA stalled and Bundox entered into negotiations with Heller First Capital. The Reaffirmation was modified to replace BofA and SBA with Heller First Capital and the SF Mayor's Office of Community Development (MOCD). Heller provided the Port with satisfactory proof of a loan commitment to satisfy the Lease condition and the Lease went into effect July 1, 1996.
Date of Amendment:	June 28,1996
Port Commission Approval:	Resolution No: 96-15 February 27, 1996
Board of Supervisor Approval:	File No: 65-96-10 Ordinance No: 261-96 June 24, 1996
Lease Term:	Commencement Date or June 30, 1996, or Lease is Void. Term up to 22 years if Phase I/II done at same time; Term of 20 years at completion of Phase I TI's or lease is Void. Requirements for Commencement Date include: (i) Receipt of Conditional Use Permit by City Planning Dept., (ii) BCDC Permit, (iii) Adoption of Ordinance by S.F. Board of Supervisors approving Lease, (iv) Financing of TI's at commercially reasonably terms as evidenced by a commitment letter of loan authorization issued by a qualified lender.
Financing:	Preliminary Approval of Heller First Capital ("Heller") and the MOCD as approved "Lenders".

Encumbrance:	Consent to the encumbrance of Bundox's Leasehold by lenders through a Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing in favor of both Heller, for a note not to exceed $1.25 Million, and MOCD, with a note not to exceed $2.0 Million.
Lease Amendments regarding Security Interests of Lender:	If Lease terminates for any reason or is rejected or disaffirmed pursuant to bankruptcy or other laws affecting creditors' rights, lender has the right to enter into a new lease on the same terms and conditions if they have remedied any monetary defaults; Lenders can assign the lease without the Port's consent in connection with lender's security documents if such assignment is by judicial or non-judicial foreclosure or deed in lieu of foreclosure, and any other assignments to a third party at a foreclosure sale must be approved by the Port; Lenders must consent to any voluntary surrender of the Lease; disposition of any insurance proceeds in case of loss, any eminent domain or condemnation awards or damages payable under the lease shall be first made to lenders as to their deeds of trust, and the Port waives the right to obtain a lien on any thing that may constitute a part of the fixtures on the Premises during the term of the loans.

AMENDMENT NO. 2 TO LEASE AND CONSENT TO ENCUMBRANCE

Background:	The lease went into effect on July 1, 1996 as a result of Heller First Capital providing satisfactory proof of a loan commitment. Although Heller had conditionally agreed to provide financing for the project, Bundox was able to obtain more favorable financing terms from MOCD. As a condition to providing the financing, MOCD requested the Port to consent to the encumbrance of the Lease. As well, the Reaffirmation was modified to delete provisions that were previously negotiated to suit the requirements of prior potential lenders. This amendment does not add any new provisions that had not been previously approved by the Port Commission and Board of Supervisors. Its purpose is to remove Heller as lender and consent to MOCD as lender, and to make non-substantial clerical corrections to the previous Reaffirmation and Amendment.
Date of Amendment:	November 13, 1996
Port Commission Approval:	Resolution No. 96-117 November 12, 1996
Financing and Encumbrance:	Approval of MOCD as lender and Consent to the encumbrance of Bundox's Leasehold by a Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing in favor MOCD, with a note not to exceed $3.25 Million.
Security Interests of Lender:	Substantially the same as provided for above.

AMENDMENT NO. 3 TO LEASE

Background:	Construction of the Waterfront Restaurant redevelopment project commenced May 1, 1997.
Date of Amendment:	July 22, 1997
Port Commission Approval:	Resolution No. 97-70 July 22, 1997
Minimum Base Rent:	Bundox requested an amendment to the Lease to provide that Minimum Base Rent of $5,000/mo during the construction period be allowed in the event Bundox kept the restaurant open during construction. Bundox wanted to keep the restaurant open during construction to retain employees and customers, but requested lower minimum rent due to limited sales volume expected in conjunction with relatively high operating costs.
Premises:	Restaurant: 11,184 s.f.; Parking: 4,153 s.f.; Outdoor Patio/Public Access: 6,608 s.f.
Premises/BCDC Public Access Improvements:	BCDC required that public access improvements be made in areas adjacent to Bundox premises resulting in modifications in the size and location of public access improvements
Tenant Improvements:	Phase II Improvements were modified to delete the construction of replacement pier and modification of the public access walkway along the waters' edge.

MAYOR'S OFFICE OF COMMUNITY DEVELOPMENT
CITY AND COUNTY OF SAN FRANCISCO

WILLIE LEWIS BROWN, JR.
MAYOR

ROGER SANDERS
DIRECTOR

DATE: March 25, 2003

TO: Leanne Nhan, Budget Analyst

FROM: Al Lerma, Program Director

RE: Bundox, Inc. dba The Waterfront Restaurant

Below are responses to your questions regarding Bundox, Inc. dba The Waterfront Restaurant –

1. Why did Bundox Restaurant, Inc. qualify for an MOCD loan?

   After the Loma Prieta quake in 1989 and the collapse of the freeway along the Embarcadero the Port and the City began an effort to revitalize the San Francisco waterfront to expand business, tourism and recreational opportunities. The Waterfront Restaurant has been located along the Embarcadero for 31 years. The business had an opportunity to renovate and expand their restaurant with support from the Port of San Francisco and the MOCD. The Section 108 loan program as described below was an economic development loan program intended to support such efforts to revitalize and expand business opportunities in areas targeted for development such as the Embarcadero corridor.

   The request from The Waterfront Restaurant at the time represented an opportunity to help launch revitalization efforts along the Embarcadero and to encourage other businesses to invest along the Embarcadero. The project provided an opportunity to create and retain jobs and to improve and expand the business at its existing location. Since then there have been a number of other improvements (Renovation of the Ferry Building, the Extension of the Muni Light Rail to Pier 39, and the opening of Pac Bell Park) that have helped to reshape and revitalize the San Francisco waterfront. The Waterfront loan request met all of the job creation and underwriting requirements at MOCD and was recommended for funding in late 1995 and an approved loan agreement was signed in November 1996.

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2. **What was the purpose of the loan?**

The purpose of the HUD Section 108 business loan was to pay for the following uses for The Waterfront Restaurant renovation project:

Leasehold improvements	$ 2,347,248
Furniture, Fixtures & Equipment	$ 485,000
Interest Reserve	$ 170,000
Debt Repayment	$ 200,000
Working Capital	$ 47,752
	$ 3,250,000

3. **Describe the MOCD loan program?**

San Francisco Mayor's Office of Community Development offers three loan programs to stimulate economic development and assist small businesses. These loan programs are distinguished primarily by loan size.

- **Micro-Enterprise Revolving Loan Program** - providing loans up to $25,000 to support micro-enterprise and self employment efforts of low and moderate income San Franciscans interested in starting or expanding their own small businesses. A Micro-enterprise is defined as a business that has five or less employees. Applicants should demonstrate experience in the business for which the loan is requested and exhibit a source of repayment of the loan.

- **Small Business Revolving Loan Fund** - providing existing small businesses with loans up to $100,000* (loans may exceed this amount if business demonstrates significant economic impact) which can be used for a number of purposes, including working capital, equipment purchase, and other business expansion activities.

- **Section 108 Loan Program** - for loans exceeding $100,000 to businesses identified as consistent with and supporting specific economic development initiatives of the City. The primary strategy of the Section 108 economic development program is to support the goals of the City's overall economic development efforts. These efforts include:

  a.) reducing unemployment and under-employment through job training and expansion of employment and job opportunities;
  b.) maintaining a vital, balanced and diversified economic base that provides job opportunities for a highly diverse labor force;

The Bundox dba The Waterfront Restaurant loan was made under the Section 108 loan program. The Section 108 Loan Program is funded by funds from the US Department of Housing & Urban Development (US-HUD).

4. **What was the loan payment schedule under the 9 percent interest rate, and under the 6 percent interest rate?**

Original Loan Payment Terms:
Loan Amount: $ 3,250,000
Interest Rate: 9%
Term: 17 Years
Monthly Payment: $ 31,161

Proposed Revised Loan Terms:
Interest Rate: 6%
Term: Extended through Feb. 2025 to coincide with SF Port proposed lease term
Monthly Payment: $ 22,429

The MOCD is working with a business consultant from the SF Small Business Development Center to provide technical assistance to The Waterfront Restaurant during this downturn in our local and national economy. The revised loan terms are based on a detailed review of The Waterfront's business operations by this office with the goal of providing some recommendations to improve and strengthen the business operations of The Waterfront Restaurant going forward. This will help to preserve a long time San Francisco business as well as the approximately 89 jobs of its employees.

5. **Is the business required to be audited or required to produce audited financial statements under the loan? If so, what where the results?**

The Bundox, Inc. provides annual year end business tax returns to MOCD which are reviewed by our staff. In addition, periodic financial statements are provided and reviewed as requested. The business also provides to MOCD copies of the State of California Board of Equalization audit done every two years under California Sales and Use Tax Law.

During the audit term from 4/1/96 – 03/31/99 the business was required to pay $ 30,819 in taxes under a settlement agreement related to revisions in the tax law at the time regarding gratuities charged by restaurants. The business appealed the determination but was unsuccessful and was required to pay the back taxes. As a result The Waterfront Restaurant revised their internal policy to assess the appropriate taxes on gratuities to comply with the Board of Equalization audit findings.

During the audit term from 7/1/99 – 6/30/02 no significant findings were identified by the Board of Equalization's audit review for Bundox, Inc. dba The Waterfront Restaurant.

Bundox, Inc. has experienced a significant decline in revenue since the year 2001 and has been unable to meet the debt service on their MOCD loan since October 2001. While they are delinquent on their loan payments, Bundox, Inc. has been working closely with a restaurant consultant provided by MOCD through the Small Business Development Center. The consultant is assisting Bundox, Inc. in identifying ways to cut costs and generate additional revenues during this downturn in the economy. Bundox, Inc. relies

heavily on the tourist trade and convention business to generate revenues, both of which have suffered significantly in the post 9/11 marketplace.

We expect that with the restructuring of the current loan terms along with the ongoing technical assistance support of the Small Business Development Center, that the Bundox, Inc. will be able to restart making their loan payments.

Attached are the following documents for Bundox, Inc.

- A copy of 2001 Tax Return (fiscal year runs from March to February)
- A copy of an interim P&L/Balance Sheet (from March 2002 to December 2002 – 10 Mos.)

MAYOR'S OFFICE OF COMMUNITY DEVELOPMENT
CITY AND COUNTY OF SAN FRANCISCO

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ROGER SANDERS
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DATE: March 25, 2003

TO: Leanne Nhan, Budget Analyst

FROM: Al Lerma, Program Director

RE: Bundox, Inc. dba The Waterfront Restaurant

1. Please describe how the loan is secured?

The loan is secured by a leasehold deed of trust on the property. We also have a UCC-1 (Uniform Commercial Code-1 Financing Statement) filed on the business assets (furniture, fixtures & equipment) with the Secretary of State's office. In addition, we have personal guarantees from Al & Cheryl Falchi.

2. Explain in detail what will occur if the borrower defaults.

If the borrower defaults and the business is unable to continue, MOCD would work with the Port to put the lease on the market in order to solicit a new tenant to buy out our interest. In the meanwhile, MOCD would have to pay rent to the Port in order to keep the lease in good standing. With the economy in a recession MOCD would likely only recoup a fraction of the outstanding loan balance by selling the leasehold interest. In addition, a going out of business sale for the furniture, fixtures & equipment would likewise only generate a fraction of the original value of the equipment since so many restaurants have closed in the past year and there is a lot of restaurant equipment available at bargain prices.

At the moment we could stand to lose not only approximately 85-90 local jobs but also the adverse consequences of having a defaulted loan on our books. Since MOCD borrowed these funds from HUD through the Section 108 Loan Program, we must continue to make loan payments to HUD for the outstanding loan balance. In addition, the opportunity costs of a defaulted loan of this size would result in MOCD funding less community programs with funds that would instead have to be used to pay back the remaining loan balance to HUD. As you can see this would have a serious impact on funding for our community development programs.

The source of funds for these costs in the event of a loan default would be primarily from two areas. The first source would be the program income generated from other active loans in our

portfolio. The second source would be the annual CDBG grant that CCSF receives from HUD each year.

Program income from our revolving loan funds goes toward making new loans to small businesses in San Francisco. Funds from our annual CDBG Grant are used to fund a broad spectrum of services for low-to-moderate income San Franciscans. As mentioned previously, funds used to repay a defaulted loan would have an adverse impact on the program services currently funded by this office.

These are the primary reasons why it makes more sense to assist the Waterfront in the near term to stay in business and continue to service their lease and their loan payments with this office. As the economy improves in the future, it would further strengthen our collateral position and result in a positive future for the business.

3. **List all changes being made to the original Loan Agreement. Is there a cost to these changes?**

The changes in this loan amendment include a reduction in the interest rate from 9% to 6% and an extension of the current loan term from Feb. 2012 to Feb. 2025. The term extension was intended to correspond with the Port lease extension. There may be some additional minor adjustments as we finalize a workable amortization schedule. However, these will be done within the above stated terms.

There are no additional costs to MOCD for making the proposed changes to the loan agreement. Under these revised terms MOCD would expect to recover both the loan principal balance plus interest over the life of the loan.

4. **Why did the MOCD Section 108 Loan to Bundox not require Board of Supervisors approval?**

MOCD did receive Board of Supervisors approval in Resolution 67-96 (File No. 68-95-5.1) to accept and expend Section 108 Revolving Loan Guarantee Funds for this program in accordance with the federal rules and regulations of the program. In doing so the Mayor's office accepted the administrative responsibility for the Section 108 Revolving Loan Guarantee funds in accordance with federal rules and regulations. The administration of the Section 108 Loan Program by the Mayor's Office includes loan application review, loan underwriting, loan amendments or workouts, loan servicing, loan collections and all other aspects of revolving loan fund administration.

5. How much has been paid by Bundox, Restaurant, Inc. to date?

- I am revising the expenditures breakdown from my previous memo, loan funds were used for the following:

Leasehold improvements	$ 2,489,600.73
Furniture, Fixtures & Equipment	$ 451,126.91
Interest Reserve	$ 146,250.00
Working Capital	$ 163.022.36
	$ 3,250,000.00

- To see how much Bundox, Inc. had paid to-date and to see the fiscal impact to MOCD & City see table below:

MOCD: BUNDOX, INC. LOAN TERM COMPARISON

	Original Loan Terms	Proposed Revised Loan Terms
Loan Amount	$3,250,000.00	(See **Note below) $3,283,597.77
Interest Rate	9 percent	6 percent
Monthly Payment	$31,161.00	$22,429.42
Term	Yrs. 1996 - 2012	Yrs. 2003 - 2025
Interest Paid To-date	$1,248,787.46	$1,248,787.46
Principal Paid To-date	$317,579.49	$317,579.49
Sub-total Paid To-date	$1,566,366.95	$1,566,366.95
Projected P&I over the life of the loan	$6,356,869.88 (Already includes P&I Paid To-date)	$5,921,366.19 (Plus P & I Paid To-date) $1,566,366.95
Total P & I over loan term	$6,356,869.88	$7,487,733.14

****Note: The revised loan amount of $ 3,283,597.77 above includes the following:**

Current Loan Principle Balance	$2,932,420.49
Past Due Interest	$351,177.28
Revised Loan Principle Balance	$3,283,597.77

A copy of the proposed loan amendment is attached under separate cover.

Cc: Roger Sanders, Director